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APR 22 1988-10 15 AM

WRITER'S DIRECT DIAL NUMBER

(202) 812-5596 INTERSTATE COMMERCE COMMISSION

NOTE: DOCUMENTS FOR
RECORDATION

April 21, 1988
RECORDATION NO. 1 5596

APR 22 1988-10 15 AM

Ms. Mildred R. Lee
Chief Recording Officer
Interstate Commerce Commission
Room 2303
12th Street and Constitution Avenue, N.W.
Washington, DC 20423

INTERSTATE COMMERCE COMMISSION

8-113A063

Date APR 22 1988

Fee \$26.00

RE: Conrail 1988 Equipment Trust A

ICC Washington, D.C.

Dear Ms. Lee:

Pursuant to Section 11303 of Title 49 of the U.S. Code, and regulations promulgated thereunder, enclosed for recordation please find the original and one notarized copy of the following primary documents: (1) Equipment Trust Agreement #1, dated as of April 1, 1988; and (2) Lease Agreement #1, dated as of April 1, 1988.

The names and addresses of the parties to these documents are as follows:

(1) Equipment Trust Agreement #1

(a) Owner Trustee

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

ATTN: Corporate Trust Administration
(MSN-238)

(b) Equipment Trust Trustee

Mercantile-Safe Deposit
Trust Company
2 Hopkins Plaza
Baltimore, Maryland 21201

ATTN: Corporate Trust Department

Countersigned
[Signature]
APR 22 1988
10 15 AM
1988

PEPPER, HAMILTON & SCHEETZ

Ms. Mildred R. Lee

April 21, 1988

Page 2

(2) Lease Agreement #1

(a) Lessor

The Connecticut National Bank
777 Main Street
Hartford, Connecticut 06115

(b) Lessee

Consolidated Rail Corporation
Six Penn Center Plaza
Philadelphia, Pennsylvania 19103

Attn: Assistant Treasurer - Financing

A description of the equipment covered by the
above primary documents is as follows:

(1) 30 General Electric Dash

8-40B Locomotives

Identification Numbers: CR 5060 to CR
5089

(2) 480 Fully-enclosed Tri-level Auto Racks

Identification Numbers: CR 6100 to CR 6299,
and CR 6500 to CR 6579, and CR 6300 to
CR 6499

A fee of \$26.00 is enclosed. I would appreciate
your recording these documents and stamping the additional
four copies of such documents being presented by our messenger
in the appropriate spaces. Any extra copies not needed
by the Commission for recordation should be returned to
the undersigned.

A short summary of the documents to appear in
the index follows:

(1) Primary Documents

- (a) Equipment Trust Agreement, dated as
of April 1, 1988, between The Connecticut
National Bank, Owner Trustee, 777 Main
Street, Hartford, Connecticut 06115

PEPPER, HAMILTON & SCHEETZ

Ms. Mildred R. Lee
April 21, 1988
Page 3

and Mercantile-Safe Deposit and Trust Company,
Equipment Trust Trustee, 2 Hopkins Plaza,
Baltimore, Maryland 21201, and covering
30 General Electric Dash 8-40B Diesel Electric
Locomotives and 480 Fully-Enclosed Tri-level
Auto Racks.

- (b) Lease Agreement, dated as of April 1, 1988,
between The Connecticut National Bank, Lessor,
777 Main Street, Hartford, Connecticut 06115,
and Consolidated Rail Corporation, Lessee,
Six Penn Center Plaza, Philadelphia, Pennsylvania
19103, and covering 30 General Electric
Dash 8-40B Diesel Electric Locomotives and
480 Fully-Enclosed, Tri-level Auto Racks.

Please call me if you have any questions or
desire additional information.

Very truly yours,



John F. DePodesta
Attorney for Consolidated
Rail Corporation

JFD:sl

Enclosures

LEASE AGREEMENT #1

1 5596
RECORDATION NO. FILED IN

dated as of April 1, 1988

APR 22 1988-10 15 AM

between

THE CONNECTICUT NATIONAL BANK, **INTERSTATE COMMERCE COMMISSION**

not in its individual capacity
except as otherwise provided,
but solely as Owner Trustee,

Lessor

and

CONSOLIDATED RAIL CORPORATION,

Lessee

30 General Electric Dash 8-40B
Diesel Electric Locomotives
480 Auto Racks

Conrail 1988 Equipment Trust A

CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE AGREEMENT #1 OF THE CONNECTICUT NATIONAL BANK, AS OWNER TRUSTEE UNDER TRUST AGREEMENT #1, DATED AS OF THE DATE HEREOF, BETWEEN THE CONNECTICUT NATIONAL BANK AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, NOT IN ITS INDIVIDUAL CAPACITY BUT SOLELY AS EQUIPMENT TRUST TRUSTEE, UNDER EQUIPMENT TRUST AGREEMENT #1, DATED AS OF THE DATE HEREOF, FOR THE BENEFIT OF THE HOLDERS OF THE EQUIPMENT TRUST CERTIFICATES REFERRED TO IN SUCH EQUIPMENT TRUST AGREEMENT. THIS LEASE AGREEMENT #1 HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. ONLY THE ORIGINAL COUNTERPART CONTAINS THE RECEIPT THEREFOR EXECUTED BY MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, NOT IN ITS INDIVIDUAL CAPACITY BUT SOLELY AS EQUIPMENT TRUST TRUSTEE, ON THE SIGNATURE PAGES THEREOF. SEE SECTION 22 FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Filed with the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303 on _____, 1988, at ____:____ p.m., recordation number _____, and deposited in the Office of the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada on _____, 1988, at ____:____ p.m.

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LEASE AGREEMENT #1

This Lease Agreement #1, dated as of April 1, 1988, between THE CONNECTICUT NATIONAL BANK, a national banking association with its principal place of business in 777 Main Street, Hartford, Connecticut 06115, not in its individual capacity, except as expressly stated herein, but solely as Owner Trustee under the Trust Agreement (as defined in Appendix A hereto), and CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation with its principal place of business at Six Penn Center Plaza, Philadelphia, Pennsylvania 19103,

W I T N E S S E T H:

Section 1. Definitions. Unless the context otherwise requires, all capitalized terms used herein shall have the respective meanings set forth in Appendix A hereto for all purposes of this Lease.

Section 2. Acceptance and Leasing of Items of Equipment. Lessor hereby agrees (subject to satisfaction or waiver of the conditions set forth in Section 4 of the Participation Agreement), simultaneously with the delivery of legal title to each Item of Equipment from Lessor to the Equipment Trust Trustee and acceptance thereof by the Equipment Trust Trustee, to accept delivery of such Item of Equipment from the Equipment Trust Trustee and thereafter to lease such Item of Equipment to Lessee hereunder, and Lessee hereby agrees (subject to satisfaction or waiver of the conditions set forth in Section 5 of the Participation Agreement) to lease from Lessor hereunder, such Item of Equipment, as evidenced by the execution and delivery by Lessee and Lessor of a Certificate of Acceptance covering such Item of Equipment. Lessor hereby authorizes one or more employees of Lessee, designated by Lessee, to act on behalf of Lessee as the authorized representative or representatives of Lessor to accept delivery of such Item of Equipment in accordance with Sections 2 and 3 of the Participation Agreement. Lessee hereby agrees that such acceptance of delivery by such authorized representative or representatives on behalf of Lessor shall, without further act, irrevocably constitute acceptance by Lessee of such Item of Equipment for all purposes of this Lease.

Section 3. Term and Rent. (a) Interim Lease Term and Basic Lease Term. The Interim Lease Term for each Item of Equipment shall commence on the Delivery Date of such Item of Equipment and shall terminate on the Basic Lease Commencement Date for such Item of Equipment. The Basic Lease Term for each Item of Equipment shall commence on the Basic Lease Commencement Date of such Item of Equipment and shall terminate on the Basic Lease Termination Date of such Item of Equipment.

(b) Interim Rent and Basic Rent. Lessee hereby agrees to pay Lessor Interim Rent for each Item of Equipment on the Basic Lease Commencement Date of such Item of Equipment in the amount calculated pursuant to Exhibit C hereto. Lessee hereby agrees to pay Lessor Basic Rent for each Item of Equipment throughout the Basic Lease Term applicable thereto in consecutive semi-annual installments payable on each Basic Rent Payment Date, in the respective amounts set forth in Exhibit C hereto for such Basic Rent Payment Dates; provided, that as payment of any portion of Basic Rent payable in respect of principal of and interest on Certificates maturing on any Rent Payment Date, Lessee may, to the extent permitted by Section 5.06 of the Equipment Trust Agreement, surrender to the Equipment Trust Trustee for cancellation Certificates maturing on such Rent Payment Date.

Anything contained herein or in the Participation Agreement to the contrary notwithstanding, each installment of Interim Rent and Basic Rent (both before and after any adjustment pursuant to Section 3(e) hereof) shall be, under any circumstances and in any event, in an amount at least sufficient for Lessor to pay in full as of the due date of such installment, any payment of principal of and interest on the Certificates (except such Certificates as are, from time to time, surrendered to the Equipment Trust Trustee for cancellation pursuant to Section 5.06 of the Equipment Trust Agreement) required to be paid by Lessor pursuant to the Equipment Trust Agreement on such due date.

(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise in the case of nonpayment of Basic Rent. In addition, Lessee will pay, as Supplemental Rent (i) on demand, an amount equal to interest at the Overdue Rate on any part of any installment of Interim Rent or Basic Rent not paid when due for any period for which the same

shall be overdue and on any payment of Supplemental Rent not paid when due or demanded, as the case may be, for the period until the same shall be paid and, (ii) on each Basic Lease Commencement Date, an amount equal to the excess, if any, of all amounts of principal of and interest on the Certificates payable on such Date over the sum of (A) the amounts of Interim Rent and Basic Rent payable on such Date pursuant to Section 3(b) hereof, plus (B) the amount of Investment Proceeds applied by the Equipment Trust Trustee to the payment of such amounts of principal and interest on such Date pursuant to clause "first" of Section 3.03 of the Equipment Trust Agreement, (iii) on the Redemption Date of Certificates being redeemed pursuant to Section 6.02(A) of the Equipment Trust Agreement, an amount equal to the redemption price of the Certificates being so redeemed, (iv) on the Redemption Date of Certificates being redeemed pursuant to Section 6.02(F) of the Equipment Trust Agreement, an amount equal to the greater of (M) the excess, if any, of the redemption price of the Certificates being so redeemed over the amount payable as the purchase price for the Items of Equipment being purchased pursuant to Section 20 hereof, and (N) the Premium, if any, payable as part of such redemption price, and (v) on demand, on an after-tax basis, an amount equal to any and all losses in respect to the principal portion of any Permitted Investment. Lessor agrees to include all Investment Proceeds in its income for Federal, state and local income tax purposes.

(d) Payment to Equipment Trust Trustee. All Rent (whether Interim Rent, Basic Rent or Supplemental Rent) shall be paid in funds consisting of lawful currency of the United States of America which shall be immediately available funds not later than 11:30 A.M. New York City time on the date of payment. All Rent payable to Lessor hereunder (other than Excepted Property) shall be paid by Lessee to Lessor at its office at 777 Main Street, Hartford, Connecticut 06115, Attention: Corporate Trust Administration (Conrail 1988 Equipment Trust A); provided, that so long as the Equipment Trust Agreement shall not have terminated pursuant to the terms thereof, Lessor hereby directs, and Lessee agrees, that all Rent (other than Excepted Property) payable to Lessor and assigned to the Equipment Trust Trustee pursuant to the Equipment Trust Agreement shall be paid by wire transfer directly to the Equipment Trust Trustee for credit to such account as the Equipment Trust Trustee shall specify at the offices of the Equipment Trust Trustee at 2 Hopkins Plaza, Baltimore, Maryland, relating to Conrail 1988 Equipment Trust A, Attention: Corporate Trust Department or at such other location in the United States as the Equipment Trust Trustee may otherwise direct.

(e) Adjustments to Interim Rent, Basic Rent, Stipulated Loss Value, Termination Value, Excess Amounts, Amortization Specified for Classes of Equipment and Maturities of Certificates and Commitments, Etc. In the event that:

(i) the Delivery Dates, Funding Dates or Transaction Costs (other than the fees and expenses of Bankers Trust Company), as estimated in good faith by Lessee prior to the Closing Date, or the actual Delivery Dates, Funding Dates, Transaction Costs (other than the fees and expenses of Bankers Trust Company) as determined subsequent to the Closing Date, or the interest rates borne by the Certificates of the various maturities, are other than as were assumed by the Owner Participant, as such assumptions are specified in Schedule I hereto; or

(ii) the Certificates are redeemed upon a refinancing as contemplated by Section 7(h) of the Participation Agreement,

then all amounts of Interim Rent, Basic Rent, Stipulated Loss Value, Termination Value, Excess Amounts, Amortization specified for Classes of Equipment and maturities of Certificates and Exhibit B to the Equipment Trust Agreement (and, in the event of a change in the estimated Delivery Dates, Funding Dates or Transaction Costs or in the interest rates borne by the Certificates, the Commitments of the Owner Participant and the Equipment Trust Trustee) shall, subject always to the last paragraph of Section 3(b) hereof, be adjusted (upwards or downwards, as the case may be) to preserve the Net Economic Return which the Owner Participant would have realized had such assumptions been correct or had such refinancing not occurred, as the case may be; provided, that (x) such adjustments will not reflect Regulations under Section 467 of the Code proposed or promulgated after the date hereof, (y) consistent with preserving such Net Economic Return, all adjustments shall minimize the net present value of the amounts payable as Interim Rent and as Basic Rent, discounted at the Average Certificate Rate, and (z) after giving effect to any such adjustment, (A) the sum of the Amortization specified for all Classes of Equipment for each maturity of the Certificates at the time Outstanding shall equal the aggregate principal amount of the Certificates of such maturity at the time Outstanding, and (B) the sum of the Amortization specified for each Class of Equipment for all maturities of the Certificates at the time Outstanding shall equal the Equipment Trust Trustee's Commitment for the Cost of all Items of Equipment included in such Class of Equipment.

In addition, if title to any Item of Equipment specified as such in the Lease as originally executed is not vested in the Equipment Trust Trustee pursuant to Section 3 of the Participation Agreement and such Item of Equipment is not subjected to the Lease (as evidenced by a Certificate of Acceptance covering such Item of Equipment) on or before March 15, 1989 (such Item of Equipment being hereinafter referred to as a "Non-Financed Item of Equipment"), the Amortization specified for each maturity of Certificates for the Class of Equipment of which such Non-Financed Item of Equipment is a part shall be reduced by a percentage obtained by dividing the Cost of such Non-Financed Item of Equipment by the Cost of all Items of Equipment specified as such in the Lease as originally executed which were included in such Class of Equipment.

Any such adjustment in respect of a change in the estimated Delivery Dates, Funding Dates or Transaction Costs or in the interest rates borne by the Certificates shall be made on or before the Business Day next preceding the Closing Date and shall be effective as of the Closing Date. Any such adjustment in respect of actual Delivery Dates, Funding Dates or Transaction Costs shall be made prior to any calculation of any amount payable as Stipulated Loss Value and prior to any such adjustment in respect of Non-Financed Items of Equipment, and all adjustments referred to in this sentence shall be made prior to or on March 15, 1989 and shall be effective as promptly thereafter as practicable (and, if any redemption of Certificates is required to be made under Section 6.02(A) of the Equipment Trust Agreement, shall be effective in any event not later than the fifth Business Day prior to the latest date on which notice of such redemption may be given pursuant to Section 6.03 of the Equipment Trust Agreement). Any such adjustment in respect of a refinancing shall be made and shall be effective with such refinancing.

Any adjustment pursuant to this Section 3(e) shall initially be computed by the Owner Participant. The results of such computation by the Owner Participant shall promptly be delivered to Lessee and D'Accord Financial Services, Inc. Within 10 Business Days after the receipt of the results of an adjustment, Lessee may request that an independent third party having expertise in lease pricing chosen by Owner Participant and reasonably acceptable to Lessee (an "Independent Third Party") verify, after consultation with the Owner Participant and Lessee, the accuracy of such adjustment in accordance with this Section 3(e), and the Owner Participant and Lessee hereby agree to provide the Independent Third Party with all information and materials as

shall be reasonably necessary or desirable in connection therewith. If the Independent Third Party confirms that such adjustment is in accordance with this Section 3(e), it shall so certify to Lessee, and such certification shall be final, binding and conclusive on Lessee, the Owner Participant and Lessor. If the Independent Third Party concludes that such recalculation or adjustment is not in accordance with this Section 3(e), it shall so certify to Lessee and the Owner Participant, and the Owner Participant shall again compute the required adjustment. Such further adjustment shall again be subject to the provisions of this Section 3(e). The final determination of any recalculation or adjustment hereunder shall be set forth in an amendment to this Lease, executed and delivered by Lessor and Lessee and consented to by the Owner Participant; provided, however, that failure to execute and deliver such amendment shall not affect the validity and effectiveness of any such recalculation or adjustment. The reasonable fees of the Independent Third Party in verifying an adjustment pursuant to this Section 3(e) shall be paid by Lessee within ten days after demand, except that the Owner Participant shall pay such fees, costs and expenses if such recalculation or adjustment is required to be computed because of an error of the Owner Participant resulting in a net present value (calculated at a discount rate equal to the Average Certificate Rate) of the recalculated or adjusted Basic Rent that is 10 or more basis points higher than the net present value (at such rate) of the Basic Rent as determined by the Independent Third Party.

Section 4. Lessor's Representations, Warranties and Covenants. (a) Representations and Warranties. NEITHER LESSOR IN ITS INDIVIDUAL CAPACITY OR AS TRUSTEE NOR THE OWNER PARTICIPANT NOR THE EQUIPMENT TRUST TRUSTEE MAKES OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, VALUE, CONDITION, WORKMANSHIP, DESIGN, PATENT INFRINGEMENT, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF ANY ITEM OF EQUIPMENT OR ANY PART THEREOF OR AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, OR AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO ANY ITEM OF EQUIPMENT OR ANY PART THEREOF, except that Lessor in its individual capacity warrants that on the Delivery Date of each Item of Equipment, such Item of Equipment will be free of Lessor's Liens attributable to it in its individual capacity. Lessor shall not have any responsibility or liability to Lessee (other than for its own gross negligence or willful misconduct or breach of this Agreement) or any other Person with respect to (i) any liability, loss or

damage caused or alleged to be caused directly or indirectly by any Item of Equipment or by an inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith, (ii) the use, operation or performance of any Item of Equipment or any risks relating thereto, (iii) any interruption of service, loss of business or anticipated profits or consequential damages, or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Item of Equipment.

(b) Covenants. Lessor covenants that, so long as no Event of Default shall have occurred and be continuing, it shall not take or cause to be taken any action contrary to Lessee's rights under this Lease, including, without limitation, the right to possession and use of each Item of Equipment.

Section 5. Return of Items of Equipment.

(a) Locomotives. After the expiration of the Term applicable to any Locomotive, Lessee will have 15 days to deliver possession of such Locomotive (without being required to make any payment of Basic Rent to Lessor in respect of the Locomotives) to Lessor upon such storage tracks of Lessee as Lessee may designate (but not in any event more than two separate locations). Until all Locomotives are delivered in accordance with this Section 5(a), each such Locomotive will accrue rent at the daily equivalent of the average Basic Rent for such Locomotive (except as to the non-payment of Basic Rent during the 15-day period as contemplated by the preceding sentence) payable semi-annually (with a final payment upon delivery of all Locomotives in accordance with this Section 5(a)). Lessee will also permit Lessor to store such Locomotive on Lessee's tracks for a period, not exceeding 90 days, following notification to Lessor that all of the Locomotives being returned pursuant to this Section 5(a) have been assembled and delivered for storage, and upon not less than 20 days' prior written notice, transport the same, at any time within such storage period, to up to five locations on the lines of railroad operated by Lessee, or to any connecting carrier for shipment, all as directed by Lessor. The movement and storage of such Locomotives during such storage period are to be at the expense and risk of Lessee; provided that Lessee shall not be obligated to move any Locomotive more than once at the request of Lessor. After such storage period, Lessee agrees to store the Locomotives for a reasonable time period at the expense and risk of Lessor. Each Locomotive returned to Lessor shall be in the condition required by Section 7 hereof.

(b) Auto Racks. Lessor shall have the following options which will be exercised with at least 60 days' written notice prior to the expiration of the Term applicable to any Auto Rack; provided that if such notice is not given, Lessor shall be deemed to have selected option (2) below:

(1) Require Lessee to remove the Auto Racks from the flatcars and prepare the flatcars so that they are acceptable to Trailer Train, all at Lessee's expense and risk. During the period of time necessary for removal of the Auto Racks, all related expenses (flatcar rental, insurance, transportation charges, etc.) shall be Lessee's responsibility; or

(2) After the expiration of the Term applicable to any Auto Rack, Lessee will have 30 days to deliver possession of such Auto Racks in groups of not less than 100 (without being required to make any payment of Basic Rent to Lessor in respect of such Auto Rack) to Lessor upon such storage tracks of Lessee as Lessee may designate (but no more than one location with respect to each group of at least 100 Auto Racks). Until all Auto Racks within such group are delivered in accordance with this Section 5(b)(2), each such Auto Rack will accrue rent at the daily equivalent of the average Basic Rent for such Auto Rack (except as to the non-payment of Basic Rent during the 30-day period as contemplated by the preceding sentence) payable semi-annually in arrears (with the final payment upon delivery of all Auto Racks within each group in accordance with this Section 5(b)(2)). Lessee will also permit Lessor to store such Auto Racks on Lessee's tracks for a period, not exceeding 90 days, following notification to Lessor that such group of Auto Racks being returned pursuant to this Section 5(b)(2) has been assembled and delivered for storage, and upon not less than 20 days' prior written notice, transport the same, at any time within such storage period, to up to five locations on the lines of railroad operated by Lessee, or to any connecting carrier for shipment, all as directed by Lessor. The movement and storage of such Auto Racks during such storage period are to be at the expense and risk of Lessee; provided that Lessee shall not be obligated to move any Auto Rack more than once at the request of Lessor. After such storage period, Lessee agrees to store the Auto Racks for a reasonable time period at the expense and risk of Lessor. During such storage period, Lessor shall be responsible for all rents, including but not limited to Trailer Train rental due on the subject flatcars. If

Lessor requests, Lessee shall assign whatever rights it has to the subject flatcars to Lessor or its designee. Each Auto Rack returned to Lessor shall be in the condition required under Section 7 hereof.

Section 6. Liens. Lessee will not directly or indirectly create, incur, permit or suffer to exist any Lien on or with respect to any Item of Equipment, title thereto or any interest therein or in this Lease except (i) the respective rights of Lessor and Lessee as herein provided, the lien created under the Equipment Trust Agreement and the rights of the Owner Participant, the Owner Trustee and the Equipment Trust Trustee under the Trust Agreement, the Equipment Trust Agreement and the Participation Agreement, (ii) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Section 7(c) hereof, (iii) Lessor's Liens and Trustee's Liens, (iv) Liens for Taxes either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of such Item of Equipment or interest therein, (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent or is being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Item of Equipment or interest therein, and (vi) Liens arising out of judgments or awards against Lessee with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review. Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge (by bonding or otherwise) any such Lien not excepted above if the same shall arise at any time.

Section 7. Maintenance; Operation; Possession; Identification Marks. (a) Maintenance. Lessee, at its own expense and in a manner comparable to that of other Class I line-haul railroads, will maintain and service each Item of Equipment in the same manner as employed by Lessee for similar items of equipment owned or leased by it at such time and will adhere to Lessee's applicable standard preventative maintenance schedule with respect to such Item of Equipment, which will include testing appropriate thereto, repair and overhaul so that such Item of Equipment will remain (i) in as

good operating condition as when delivered (ordinary wear and tear excepted), (ii) in compliance with any and all Applicable Law, (iii) suitable for immediate purchase or lease and immediate regular use in main line freight service by a Class I line-haul railroad, and (iv) eligible under all manufacturer's warranties. Lessee agrees that it will not discriminate against any Item of Equipment (as compared to other similar equipment owned or operated by Lessee) with respect to its use, operation or maintenance in contemplation of the expiration or termination of this Lease.

(b) Operation. The Items of Equipment will be used in the general operation of Lessee's freight rail business on Lessee's railroad system, on railroad lines over which Lessee has trackage rights, and on railroad lines of other railroads in the United States and the Provinces of Ontario, British Columbia, Alberta, Saskatchewan and Manitoba of Canada in the usual interchange of traffic or in through or run-through service.

(c) Possession. Lessee will not, without the prior written consent of Lessor, sublease or otherwise in any manner deliver, transfer or relinquish possession of any Item of Equipment; provided that, so long as no Event of Default or Potential Event of Default shall have occurred and be continuing, and so long as the action to be taken shall not deprive Lessor of its title to (or, so long as the Equipment Trust Agreement is in effect, shall not deprive the Equipment Trust Trustee of its legal title to and its perfected lien created under the Equipment Trust Agreement on) any Item of Equipment, Lessee may, without the prior written consent of Lessor, sublease any Item of Equipment to, or permit its use by, any user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that is for a term longer than 12 months; and provided, further, that such sublease or permitted use shall by its terms prohibit the sublessee or user from locating an Item of Equipment outside the area comprised of the United States and the Provinces of Ontario, British Columbia, Alberta,

Saskatchewan and Manitoba of Canada. No such assignment or sublease shall relieve Lessee of its obligations hereunder, which shall be and remain those of a principal and not a surety.

(d) Identification Marks. Lessee will cause the Items of Equipment to be numbered with the respective identification numbers set forth in Schedule II hereto, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Item of Equipment, in letters not less than one inch in height, the words "Ownership Subject to Documents Filed with the Interstate Commerce Commission", with appropriate changes thereof as from time to time may be required by law, or required in the opinion of Lessor, in order to protect the Equipment Trust Trustee's title and lien on and Lessor's interest in such Item of Equipment and the rights of Lessor under this Lease and the rights of the Equipment Trust Trustee under the Equipment Trust Agreement. Lessee will not place any Item of Equipment in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. Lessee will not change the identification number of any Item of Equipment unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Equipment Trust Trustee and Lessor and duly filed and deposited by Lessee in all public offices where this Lease and the Equipment Trust Agreement shall have been filed and deposited and (ii) Lessee shall have furnished the Equipment Trust Trustee and Lessor an Opinion of Counsel to the effect that such statement has been so filed and deposited, and that no other filing, deposit or giving of notice with or to any Federal, District of Columbia, state or local government or agency thereof is necessary to protect the rights of the Equipment Trust Trustee and Lessor in such Item of Equipment.

Except as provided in the immediately preceding paragraph, Lessee will not allow the name of any person, association or corporation to be placed on any Item of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that an Item of Equipment may be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates.

(e) Attachment of Auto Racks to Flatcars. Lessee will cause each Auto Rack to be and remain attached or affixed to a flatcar leased from Trailer Train Company, a Delaware corporation ("Trailer Train"), under a Car Contract with Trailer Train (the "Car Contract"), and shall furnish to

Lessor a list of the unit number of each such flatcar and the corresponding Auto Rack number. If for any reason the Car Contract shall be in default or shall terminate as to any flatcar to which an Auto Rack is attached or affixed, Lessee will promptly notify the Lessor of such default or termination and on the Casualty Value Determination Date next succeeding the 120th day thereafter (the "Section 7(e) Date"), Lessee shall either (i) cause such Auto Rack to be removed from such flatcar and to be attached or affixed to another flatcar which is either leased to (under another lease which is not in default) or owned by Lessee free and clear of all Liens other than Permitted Liens and other than Liens arising under agreements of the character referred to in the immediately succeeding paragraph of this Section 7(e) and shall furnish to Lessor a list of the unit number of each such flatcar and the corresponding Auto Rack number, or (ii) pay to Lessor, or to the Persons entitled thereto, the amount specified in the third paragraph of this Section 7(e).

In the event Lessee complies with clause (i) of the immediately preceding paragraph of this Section 7(e) with respect to any Auto Rack, and pursuant thereto, such Auto Rack is to be attached or affixed to a leased flatcar other than the flatcar to which such Auto Rack was attached at the commencement of the Term applicable thereto, Lessee will furnish to Lessor, as soon as practicable but in any event not later than 30 days after such Auto Rack is so attached or affixed, written agreements of the lessor of such flatcar, of like substance to the written agreements with respect to such Auto Rack furnished by Trailer Train prior to or at the commencement of the Term applicable thereto, and Lessee agrees to use its best efforts to furnish to Lessor, as soon as practicable but in any event not later than 30 days after such Auto Rack is so attached or affixed, copies of all financing documents relating to any such flatcar which is not leased from Trailer Train. In the event that any Auto Rack shall fail to be attached to a flatcar in accordance with the provisions of the first sentence of this paragraph (other than by reason of maintenance being performed in accordance with Section 7(a) hereof) and such failure shall continue for 90 days, or in the event that the written agreement or financing documents referred to in the first sentence of this paragraph with respect to any Auto Rack shall not be furnished for any reason prior to the time provided in said sentence, or in the event that the financing documents furnished by Lessee do not establish to the satisfaction of Lessor that any Auto Rack shall not constitute an accession to the flatcar and that such Auto Rack shall not become subject to any security interest or other interest of any party to such financing, then, in any such case, Lessee shall comply with clause (ii) of the immediately preceding

paragraph of this Section 7(e) with respect to such Auto Rack (and for such purposes, the Section 7(e) Date shall be the Casualty Value Determination Date next succeeding the event giving rise to such required compliance).

In the event Lessee complies with clause (ii) of the first paragraph of this Section 7(e) with respect to any Auto Rack, Lessee shall pay to Lessor or to the Persons entitled thereto an amount equal to the sum of:

(A) the higher of (x) the fair market value of such Auto Rack, and (y) Stipulated Loss Value for such Auto Rack, determined as of the Casualty Loss Determination Date on which the Section 7(e) Date occurs, plus

(B) all other Supplemental Rent due and owing on the Section 7(e) Date, plus

(C) if the Section 7(e) Date is a Rent Payment Date, the Interim Rent or Basic Rent due and payable on such Rent Payment Date pursuant to Section 3(b) hereof; provided that as payment of any portion of Basic Rent payable in respect of principal of and interest on Certificates maturing on such Rent Payment Date, Lessee may, to the extent permitted by Section 5.06 of the Equipment Trust Agreement, surrender to the Equipment Trust Trustee for cancellation certificates maturing on such Rent Payment Date.

In the event Lessee exercises the option specified in the foregoing clause (ii), upon payment in full of all amounts payable pursuant to such clause, Lessor and Lessee shall take such actions, and shall have such rights and obligations, with respect to the Auto Racks as to which such option is being exercised, as are specified with respect to Items of Equipment which have suffered an Event of Loss pursuant to the second paragraph of Section 10(a) hereof.

So long as any Auto Racks are leased hereunder, Lessee will perform its obligations under, and will exercise any and all rights or options to renew the term of, and will not cancel or otherwise terminate, the Car Contract or any other lease or leases covering the flatcars to which such Auto Racks are attached.

Section 8. Replacement of Parts; Alterations, Modifications and Additions. Lessee agrees at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Item of Equipment) with the interchange rules of the Association of American Railroads, if applicable, and with all Applicable Laws, to the extent that such Applicable Laws affect the title, operation or use of such Item of Equipment, and in the event that, prior to the expiration of this Lease or any renewal thereof, (i) such laws or rules require any alteration, replacement, addition or modification of or to any part on any Item of Equipment, Lessee will comply therewith at its own expense (any such additions which are readily removable without material damage to such Item of Equipment shall become the property of Lessee if their removal would not adversely and materially affect the value of such Item of Equipment and its installation was required by law for limited special use and not general operation) or (ii) such laws or rules require disposal, removal and dismantlement of or stripping any part or parts of any Item of Equipment, Lessee promptly will give Lessor and the Equipment Trust Trustee written notice to such effect in reasonable detail and will set forth in detail a reasonable course of action, determined by Lessee in good faith and according to Lessee's normal business practice, for such disposal, removal and dismantlement of or stripping such part or parts. Lessee shall not dispose of, remove, dismantle or strip any such part or parts without the written consent of Lessor, which consent shall not be unreasonably withheld; provided, however, that Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not adversely affect the property or rights of Lessor or the Equipment Trust Trustee under this Lease or under the Equipment Trust Agreement. Lessee, at its own cost and expense, may from time to time make such other additions, modifications and improvements to any Item of Equipment as are readily removable without causing material damage to such Item of Equipment (and do not adversely and materially affect the value or useful life of such Item of Equipment). The additions, modifications and improvements made by Lessee under the preceding sentence shall be owned by Lessee, except to the extent such additions, modifications or improvements are described in the following sentence. Any and all parts installed on and additions and replacements made to any Item of Equipment (m) which are not readily removable without causing material damage to such Item of Equipment, (n) the cost of which is included in the Cost of such Item of Equipment, (o) in the course of ordinary maintenance of any

Item of Equipment or (p) which are required for the operation or use of such Item of Equipment by the interchange rules of the Association of American Railroads or by the regulations of the ICC, the United States Department of Transportation or any other regulatory body, shall constitute accessions to such Item of Equipment and full ownership thereof free from any Lien (except for additions required by law for limited special use and not general operation which are readily removable without causing material damage to such Item of Equipment and without adversely and materially affecting the value or useful life of such Item of Equipment) shall immediately be vested in Lessor; provided, that so long as the Equipment Trust Agreement is in effect, title to such Item of Equipment for security purposes shall vest in the Equipment Trust Trustee.

Section 9. Voluntary Termination. (a) Termination for Obsolescence or Surplus. (i) Right of Termination. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right, exercisable on any Rent Payment Date on or after October 15, 1999 (a "Termination Date"), on at least 120 days' prior written notice to Lessor, to terminate this Lease with respect to all (but not less than all) Locomotives or all (but not less than all) Auto Racks, if in Lessee's good faith opinion (evidenced conclusively by a certificate of the Chief Financial Officer or comparable operating officer of Lessee), such Item or Items of Equipment shall have become obsolete to Lessee or surplus to Lessee's requirements. Lessor shall give Lessee notice of Lessor's election to sell or retain such Item or Items of Equipment in accordance with Section 9(a)(iv) hereof on or before the 30th day prior to the Termination Date. In the event Lessor elects to sell such Item or Items of Equipment, Lessor shall sell such Item or Items of Equipment to the Person who shall have submitted the highest net cash bid therefor (or such other purchaser acceptable to Lessor and Lessee). Lessee may withdraw the termination notice referred to above at any time prior to the 30th day prior to the Termination Date, whereupon this Lease shall continue in full force and effect; provided that (x) Lessee shall pay to the Owner Participant all reasonable out-of-pocket and other expenses incurred by the Owner Participant in connection with the termination covered by such withdrawn notice, and (y) Lessee may in no event withdraw more than two such notices given under this Lease.

(ii) Sale of Items of Equipment. Lessee, as non-exclusive agent for Lessor, shall, from the date of Lessor's notice given pursuant to Section 9(a)(i) hereof

until the Termination Date, use its reasonable best efforts to obtain bids for the cash purchase on the Termination Date of the Items of Equipment in question. No later than ten Business Days prior to the Termination Date, Lessee shall certify to Lessor in writing the amount and terms of each bid received by Lessee and the name and address of the Person (who shall not be Lessee or any Affiliate of Lessee) submitting each such bid. Lessor may also, at its expense, independently obtain bids for such purchase and, in the event Lessor receives any such bid, Lessor shall promptly, and in any event at least five Business Days prior to the Termination Date, certify to Lessee in writing the amount and terms of such bid and the name and address of the Person (who shall not be Lessee or any Affiliate of Lessee, but who may be Lessor or the Owner Participant or any Person acting on behalf of either thereof) submitting such bid. Unless such Items of Equipment are to be retained by Lessor in accordance with Section 9(a)(iv) hereof, on the Termination Date,

(A) Lessee shall (subject to receipt by Lessor and the other Persons entitled thereto of the amount specified in the immediately succeeding paragraph of this Section 9(a)(ii)) deliver such Items of Equipment to the highest net cash bidder (or such other purchaser acceptable to Lessor and Lessee) in the same manner as if delivery were made to Lessor pursuant to Section 5 hereof; and

(B) Lessor shall simultaneously therewith (i) if the Equipment Trust Agreement shall then not be in effect, sell such Items of Equipment for cash to such bidder on an "as is, where is" basis and without recourse or warranty (except as to Lessor's Liens), or (ii), if the Equipment Trust Agreement shall then be in effect, request the Equipment Trust Trustee to transfer legal title to such Items of Equipment for cash to such bidder (or such other purchaser) on an "as is, where is" basis and without recourse or warranty (except as to Trustee's Liens) (it being understood that Lessor's only responsibility under the preceding clause (ii) shall be to make such request of the Equipment Trust Trustee and Lessor shall have no liability hereunder if the Equipment Trust Trustee does not transfer title as contemplated thereby).

The total sales price realized at such sale shall be retained by Lessor and, in addition, on the Termination Date, Lessee shall pay to Lessor or to the Persons entitled thereto an amount equal to the sum of:

(m) the excess, if any, of (A) the Termination Value for such Items of Equipment, over (B) the net sales proceeds to Lessor, plus

(n) all other Supplemental Rent due and owing on the Termination Date, plus

(o) the Basic Rent due and payable on the Termination Date pursuant to Section 3(b) hereof (other than Basic Rent for such Items of Equipment specified on Schedule C hereto to be payable on such Date in advance for the period commencing on such Date); provided, that as payment of any portion of Basic Rent payable in respect of principal of and interest on Certificates maturing on the Termination Date, Lessee may, to the extent permitted by Section 5.06 of the Equipment Trust Agreement, surrender to the Equipment Trust Trustee for cancellation certificates maturing on the Termination Date.

(iii) Certain Obligations Upon Sale of Items of Equipment. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with the sale of any Item of Equipment under Section 9(a)(ii) hereof, other than (x) to transfer or request to be transferred to the purchaser of such Item of Equipment on an "as is, where is" basis and, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to such Items of Equipment against receipt of the payments provided for herein, and (y) to request the Equipment Trust Trustee upon the sale of such Items of Equipment pursuant to Section 9(a)(ii) hereof to execute and deliver to such purchaser an appropriate instrument releasing such Items of Equipment from the lien created under the Equipment Trust Agreement.

(iv) Retention of Items of Equipment by Lessor. If Lessor shall have elected to retain any Item of Equipment, on the Termination Date, Lessor shall pay, or cause to be paid, to the Equipment Trust Trustee an amount equal to the principal amount of the Outstanding Certificates relating to such Item of Equipment, together with the interest and Premium, if any, thereon determined as of the Redemption Date on which such Certificates are to be redeemed pursuant to Section 6.02(C) of the Equipment Trust Agreement. Subject to receipt by the Equipment Trust Trustee of such funds, on the Termination Date, (m) Lessee (x) shall deliver such Item of Equipment to Lessor, in the same manner as if delivery were

made to Lessor at the end of the Term applicable thereto pursuant to Section 5 hereof, and (y) shall pay to Lessor or to the Persons entitled thereto (including the Holders) all Supplemental Rent (other than Termination Value payable in respect of such Item of Equipment) due and owing on the Termination Date, any Basic Rent due and payable on or prior to the Termination Date and unpaid and (n) Lessor shall request the Equipment Trust Trustee to execute and deliver to Lessor an appropriate instrument releasing such Item of Equipment from the lien of the Equipment Trust Agreement. If Lessor shall fail to perform any of its obligations pursuant to this Section 9(b)(iv) and as a result thereof the lease of any Item of Equipment shall not be terminated on a proposed Termination Date, Lessor shall thereafter no longer be entitled to exercise its election to retain such Item of Equipment hereunder.

(v) Termination of Lease, Etc. Upon the sale of any Item of Equipment or termination of this Lease in respect of such Item of Equipment in compliance with the provisions of this Section 9(a), the obligation of Lessee to pay Basic Rent for such Item of Equipment under Section 3(b) hereof on any Basic Rent Payment Date occurring subsequent to the Termination Date shall terminate and the Term applicable to such Item of Equipment shall end.

(b) Special Termination. (i) Right of Termination. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right, exercisable on the Rent Payment Date which is four years prior to the Basic Lease Termination Date applicable to a particular Class of Equipment (a "Special Termination Date"), on at least 120 days' irrevocable prior written notice to Lessor, to terminate this Lease with respect to any or all Items of Equipment included within such Class of Equipment (but in no event with respect to less than the Minimum Number of Locomotives or the Minimum Number of Auto Racks).

(ii) Sale or Lease of Items of Equipment. Lessee, as non-exclusive agent for Lessor, shall, from the date of any notice given pursuant to Section 9(b)(i) hereof until the Special Termination Date, use reasonable best efforts to obtain bids for the cash purchase (or, subject to agreement by Lessor and Lessee, lease) on the Special Termination Date of the Items of Equipment covered by such notice. No later than ten Business Days prior to the Special Termination Date, Lessee shall certify to Lessor in writing the amount and terms of each bid received by Lessee and the name and address of the Person (who shall not be Lessee or any Affiliate of

Lessee) submitting each such bid. Lessor may also, at its expense, independently obtain bids for such purchase or lease and, in the event Lessor receives any such bid, Lessor shall promptly, and in any event at least five Business Days prior to the Special Termination Date, certify to Lessee in writing the amount and terms of such bid and the name and address of the Person (who shall not be Lessee or any Affiliate of Lessee, but who may be Lessor or the Owner Participant or any Person acting on behalf of either thereof) submitting such bid. On the Special Termination Date,

(A) Lessee shall (subject to receipt by Lessor and the other Persons entitled thereto of the amount specified in the immediately succeeding paragraph of this Section 9(b)(ii)) deliver such Items of Equipment in the manner required by Section 5 hereof to the Person making the highest net cash bid to purchase such Items of Equipment (or in the event such Items of Equipment are leased to a lessee on the Special Termination Date or are neither sold nor leased to a lessee on the Special Termination Date, to Lessor); and

(B) if such Items of Equipment are to be sold to a purchaser, Lessor shall simultaneously therewith (i) if the Equipment Trust Agreement shall then not be in effect, sell such Items of Equipment for cash to such bidder on an "as is, where is" basis and without recourse or warranty (except as to Lessor's Liens), or (ii), if the Equipment Trust Agreement shall then be in effect, request the Equipment Trust Trustee to transfer legal title to such Items of Equipment for cash to such bidder on an "as is, where is" basis and without recourse or warranty (except as to Trustee's Liens) (it being understood that Lessor's only responsibility under the preceding clause (ii) shall be to make such request of the Equipment Trust Trustee and Lessor shall have no liability hereunder if the Equipment Trust Trustee does not transfer title as contemplated thereby).

In the event such Items of Equipment are to be leased to a lessee on the Special Termination Date or are neither sold to a purchaser nor leased to a lessee on the Special Termination Date, Lessor shall so request the Equipment Trust Trustee to transfer such legal title to Lessor).

The total sales price realized at any such sale to a purchaser (or the amounts payable under any such lease to a lessee) shall be retained by Lessor and, in addition, on the

Special Termination Date, Lessee shall pay to Lessor or to the Persons entitled thereto, an amount equal to the sum of:

(m) the excess, if any, of (A) Termination Value for such Items of Equipment, over (B) the greater of (x) 20% of the Cost of such Items of Equipment, and (y) the net sales proceeds to Lessor (in the case of a sale, if any, to a purchaser) or the net present value of the required rent payments and residual value (in the case of a lease, if any, to a lessee) (after deducting the reasonable out-of-pocket selling expenses incurred by Lessor), plus

(n) all other Supplemental Rent due and owing on the Special Termination Date, plus

(o) the Basic Rent due and payable on the Special Termination Date pursuant to Section 3(b) hereof (other than Basic Rent for such Items of Equipment specified on Schedule C hereto to be payable on such Date in advance for the period commencing on such Date); provided, that as payment of any portion of such Basic Rent payable in respect of principal of and interest on Certificates maturing on the Special Termination Date Lessee may, to the extent permitted by Section 5.06 of the Equipment Trust Agreement, surrender to the Equipment Trust Trustee for cancellation certificates maturing on the Special Termination Date;

(iii) Certain Obligations Upon Sale of Items of Equipment. Lessor shall be under no duty to solicit bids, to inquire into efforts of Lessee to obtain bids or otherwise take any action in connection with the sale of any Item of Equipment under Section 9(b)(ii) hereof, other than (x) to transfer or request to be transferred to the purchaser of such Item of Equipment on an "as is, where is" basis and, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to such Items of Equipment against receipt of the payments provided for herein, and (y) to request the Equipment Trust Trustee upon the sale of such Items of Equipment pursuant to Section 9(b)(ii) hereof to execute and deliver to such purchaser an appropriate instrument releasing such Items of Equipment from the Liens created under the Equipment Trust Agreement.

(iv) Retention of Items of Equipment by Lessor. If any Item of Equipment shall have not been sold to a purchaser or leased to a lessee on the Special Termination Date, Lessee will, at its own cost and expense, at the request of Lessor,

store such Item of Equipment for a period not exceeding 150 days in accordance with the provisions of Section 5 hereof. Within three Business Days following any subsequent sale or lease of any such Item of Equipment, Lessor shall pay to Lessee an amount equal to the excess, if any, of the net sales proceeds to Lessor or the net present value of the required rent payments and the residual value under such lease (after deducting the reasonable out-of-pocket selling expenses incurred by Lessor) over 20% of the original Cost of such Item of Equipment (but not to exceed the amount previously paid by Lessee to Lessor pursuant to clauses (m) and (n) of Section 9(b)(ii) hereof).

(v) Termination of Lease, Etc. Upon the sale of any Item of Equipment or termination of this Lease in respect of such Item of Equipment in compliance with the provisions of this Section 9(b), the obligation of Lessee to pay Basic Rent for such Item of Equipment under Section 3(b) hereof on any Basic Rent Payment Date occurring subsequent to the Special Termination Date shall terminate and the Term applicable to such Item of Equipment shall end.

Section 10. Loss, Destruction, Requisition, Etc.

(a) Event of Loss. Upon the occurrence of an Event of Loss with respect to any Item of Equipment, Lessee shall promptly (and, in any event, within 60 days after such occurrence in the case of an Auto Rack or 120 days after such occurrence in the case of a Locomotive) give Lessor and the Equipment Trust Trustee written notice of such Event of Loss and on the Casualty Loss Determination Date next succeeding the 120th day following such Event of Loss (the "Loss Payment Date"), Lessee shall pay to Lessor or to the Persons entitled thereto,

(A) the Stipulated Loss Value for such Item of Equipment, plus

(B) all other Supplemental Rent due and owing on the Loss Payment Date, plus

(C) if the Loss Payment Date is a Basic Rent Payment Date, the Basic Rent due and payable on that date pursuant to Section 3(b) hereof (other than Basic Rent for such Items of Equipment specified on Schedule C hereto to be payable on such Date in advance for the period commencing on such Date); provided, that as payment of any portion of Basic Rent payable in respect of principal of and interest on Certificates maturing on such Basic Rent Payment Date, Lessee may, to the extent

permitted by Section 5.06 of the Equipment Trust Agreement, surrender to the Equipment Trust Trustee for cancellation certificates maturing on such Basic Rent Payment Date.

In the event of payment in full of the Stipulated Loss Value for such Item of Equipment and all other amounts payable pursuant to the foregoing paragraph, (1) the obligation of Lessee to pay any Basic Rent for such Item of Equipment under Section 3(b) hereof on any Rent Payment Date occurring subsequent to the Loss Payment Date shall terminate, (2) the Term for such Item of Equipment shall end, and (3) Lessor shall transfer to Lessee, on an "as is, where is" basis and without recourse or warranty (except as to Lessor's Liens), and if the Equipment Trust Agreement shall then be in effect, request the Equipment Trust Trustee to transfer legal title to such Item of Equipment with respect to which such Event of Loss occurred to Lessee (it being understood that Lessor's only responsibility under the preceding clause (ii) shall be to make such request of the Equipment Trust Trustee and Lessor shall have no liability hereunder if the Equipment Trust Trustee does not transfer title as contemplated thereby).

(b) Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds the application of which is provided for in Section 11) received at any time by Lessor or by Lessee from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, any Item of Equipment shall, after reimbursement of Lessor for costs and expenses, be applied in reduction of Lessee's obligation to pay the Stipulated Loss Value required to be paid by Lessee pursuant to Section 10(a) hereof, if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such Stipulated Loss Value, and the balance, if any, of such payments remaining thereafter shall be paid over to, and retained by Lessee and Lessor, as their interests may appear.

(c) Application of Payments during Existence of Event of Default. Any amount referred to in this Section 10 which is payable to Lessee shall not be paid to Lessee, or if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default or Potential Default shall have occurred and be continuing, but shall be paid to and held by Lessor as

security for the obligations of Lessee under this Lease, and at such time as there shall not be continuing any such Event of Default or Potential Default, such amount shall be paid to Lessee.

Section 11. Insurance. Lessee will at all times prior to the return of all Items of Equipment to Lessor, as part of an insurance program including appropriate risk retention and self-insurance, and at its own expense, cause to be carried and maintained casualty insurance and public liability insurance in respect of the Items of Equipment in amounts and against such risks as are customarily insured against by Lessee in respect of similar equipment owned or leased by it, and comparable to such coverage maintained by other Class I railroads. All policies with respect to such insurance shall name Lessor (both in its individual and trust capacity), the Owner Participant and the Equipment Trust Trustee as additional named insureds, as their interests may appear, shall provide for at least 30 days' prior written notice by the insurance carrier to Lessor, the Owner Participant and the Equipment Trust Trustee in the event of cancellation, expiration or amendment (and Lessee shall provide 30 days' prior written notice to Lessor, the Owner Participant and the Equipment Trust Trustee in any such event), and shall include waivers by the insurer of all claims for premiums against Lessor, the Owner Participant and the Equipment Trust Trustee. Each such insurance policy shall provide that all of the provisions thereof except the limits of liability (which shall be applicable to all insured as a group) and liability for premiums (which shall be solely a liability of Lessee) shall operate in the same manner as if they were a separate policy covering each insured and shall be primary without right of contribution from any insurance carried by Lessor, the Owner Participant or the Equipment Trust Trustee. Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance. Lessee shall, not later than June 15th of each year with respect to public liability insurance and November 15th of each year with respect to casualty insurance, commencing on June 15, 1989 and November 15, 1989, respectively, furnish to Lessor, the Owner Participant and the Equipment Trust Trustee a certificate of an independent insurance broker acceptable to the Owner Participant evidencing the maintenance of the insurance required hereunder. Lessee shall, not later than 30 days prior to the expiration date of any of its insurance policy or policies required to be carried and maintained with respect to the Items of Equipment under this Section 11, furnish to Lessor, the Owner Participant and the Equipment

Trust Trustee a written notice to the effect that (i) Lessee is in good faith negotiating the renewal of such policy or policies; and (ii) Lessee expects to furnish to Lessor, the Owner Participant and the Equipment Trust Trustee certificates evidencing renewal of such policy or policies, as promptly as practicable. Lessee shall furnish to Lessor, the Owner Participant and the Equipment Trust Trustee certificates evidencing renewal of such policy or policies not later than 15 days after the expiration date of such policy or policies. Lessee shall furnish to Lessor, the Owner Participant and the Equipment Trust Trustee a prompt telephonic notice (promptly confirmed in writing) of any material adverse change in Lessee's insurance program. In the event that Lessee shall fail to maintain insurance as herein provided, and has failed to obtain separate policies reasonably satisfactory to Lessor, the Owner Participant and the Equipment Trust Trustee, Lessor may at its option on five Business Days' prior written notice to Lessee provide such insurance (giving Lessee prompt written notice thereof) and, in such event, Lessee shall, upon demand from time to time, reimburse Lessor for the cost thereof together with interest on the amount of such cost from the date of payment thereof at the Overdue Rate. Lessee shall, at its own expense, make all proofs of loss and take all other steps necessary to collect the proceeds of such insurance. If Lessor shall receive any insurance proceeds or condemnation payments in respect of any Item of Equipment suffering an Event of Loss, Lessor shall, subject to Lessee's having made payment of the Stipulated Loss Value in respect of such Item of Equipment and provided no Event of Default or Potential Default shall have occurred and be continuing, pay such insurance proceeds or condemnation payments to Lessee. All insurance proceeds received by Lessor in respect of any Item of Equipment not suffering an Event of Loss shall be paid to Lessee upon proof satisfactory to Lessor that any damage to such Item of Equipment in respect of which such proceeds were paid has been fully repaired, provided no Event of Default or Potential Default shall have occurred and be continuing. Any amounts paid or payable to Lessor under the foregoing insurance shall not be reduced on account of any amount which may be paid or payable to Lessor by reasons of claims made under any other policies of insurance under which Lessor is a beneficiary claimant. Notwithstanding the foregoing, Lessor shall in no event be obligated to participate in the funding of any self-insurance program of Lessee. Lessor, the Owner Participant and the Equipment Trust Trustee shall each have the right to carry insurance on the Items of Equipment for their own benefit; provided, that such insurance is carried at the expense of any Person other than Lessee.

Any amount referred to in the preceding paragraph which is payable to Lessee shall not be paid to Lessee, or, if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default or Potential Default shall have occurred and be continuing, but shall be paid to and held by the Equipment Trust Trustee, or if the Equipment Trust Agreement shall have been terminated pursuant to the terms thereof, Lessor, as security for the obligations of Lessee under this Lease and at such time as there shall not be continuing any such Event of Default or Potential Default, such amount shall be paid to Lessee; provided that if any such amount has been so held by the Equipment Trust Trustee or Lessor as security for more than 360 days, Lessee is not subject to a petition under the Federal bankruptcy laws and neither such Person shall have exercised any remedy available to it under Section 15 hereof, then such amount shall be paid to Lessee.

Section 12. Inspection. At all reasonable times during the Term applicable to any Item of Equipment, including any applicable free storage period provided in Section 5 or 9(b)(iv) of this Lease, upon reasonable notice, Lessor and the Equipment Trust Trustee or their authorized representatives may, at their own expense and risk and at no cost to Lessee, inspect such Item of Equipment and the books and records of Lessee relating thereto at the location thereof in Lessee's premises where such Item of Equipment or such books and records are then located. Upon the prior written request by Lessor, Lessee shall advise Lessor in writing as to the location of any Item of Equipment. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of any Item of Equipment or the normal conduct of Lessee's business, and Lessee shall not be required to undertake or incur any additional liabilities in connection therewith. Lessor and the Equipment Trust Trustee shall have no duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection.

Section 13. Assignment, Etc. Except as otherwise provided in Section 7(c) hereof, Lessee will not, without prior written consent of Lessor, assign any of its rights hereunder, except as permitted by Section 11(d) of the Participation Agreement. Except as elsewhere herein provided or as expressly permitted by the provisions of the Trust Agreement, the Equipment Trust Agreement or the Participation Agreement, Lessor agrees that it will not assign or convey its right, title and interest in and to this Lease or the Items of Equipment. The terms and provisions of this Lease

shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors and assigns.

Section 14. Events of Default. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(a) Lessee shall fail to make any payment of Interim Rent, Basic Rent, Termination Value, Stipulated Loss Value, any amount payable under Section 7(e) hereof or Supplemental Rent specified in the second sentence of Section 3(c) hereof within 10 days after the same shall have become due; or

(b) Lessee shall make or permit any unauthorized assignment or transfer of this Lease in violation of Section 13 hereof or of the right to possession of any Item of Equipment in violation of Section 7(c) hereof; or

(c) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under the Participation Agreement (including, without limitation, any obligation to pay Supplemental Rent not referred to in clause (a) above), and such failure shall continue unremedied for a period of 30 days (except that such period shall be 10 days in the case of any failure by Lessee to pay such Supplemental Rent and 15 days in the case of any failure by Lessee to maintain the insurance required by Section 11 hereof) after written notice thereof to Lessee by Lessor (with copies to the Equipment Trust Trustee and the Owner Participant), by the Equipment Trust Trustee (with copies to the Owner Trustee and the Owner Participant), or by the Holders of at least 25% in principal amount of Outstanding Certificates (with copies to the Owner Trustee, the Owner Participant and the Equipment Trust Trustee), unless such failure is curable and Lessee shall then be diligently proceeding to correct such failure and shall in fact correct such failure within 90 days (except that such period shall be 365 days in the case of a failure by Lessee to perform or observe any such covenant, condition or agreement relating solely to Items of Equipment having a Cost of 10% or less of all

Items of Equipment) after delivery of such notice (except that any such failure under the Tax Indemnity Agreement (exclusive of a failure to pay an amount constituting Supplemental Rent) shall not of itself be or become an Event of Default); or

(d) any material representation or warranty made by Lessee herein or in the Participation Agreement or in any document or certificate furnished by Lessee in connection herewith or therewith or pursuant hereto or thereto shall prove to have been incorrect in any material respect at the time made, and such incorrectness shall continue to be material and unremedied for a period of 30 days after written notice thereof to Lessee by Lessor (with copies to the Equipment Trust Trustee and the Owner Participant), by the Equipment Trust Trustee (with copies to the Owner Trustee and the Owner Participant), or by the Holders of at least 25% in principal amount of Outstanding Certificates (with copies to the Owner Trustee, the Owner Participant and the Equipment Trust Trustee) (except that the incorrectness of any representation or warranty made solely in the Tax Indemnity Agreement shall not of itself be or become an Event of Default); or

(e) a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision as the same may hereafter be amended; or

(f) any other proceeding shall be commenced by or against Lessee for any relief which includes, or might result in, any modification of the obligations of Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of

indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations), and, unless such proceeding shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for Lessee or for the property of Lessee in connection with any such proceeding in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such a trustee or trustees or receiver or receivers, within 60 days after such proceeding shall have been commenced.

Section 15. Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default by a written notice to Lessee (except that in the case of any Event of Default described in paragraphs (e) and (f) of Section 14 hereof this Lease shall be deemed in default without the necessity of such declaration or further act, or notice of any kind, all of which is hereby waived); and at any time thereafter, so long as Lessee shall not have remedied all outstanding Events of Default, Lessor may do one or more of the following with respect to all or any Items of Equipment as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, Applicable Laws then in effect:

(a) cause Lessee, upon the written demand of Lessor and at Lessee's expense, to return promptly, and Lessee shall return promptly, all or such part of such Items of Equipment as Lessor may so demand to Lessor or its order in the manner and condition required by, and otherwise in accordance with all the provisions of, Section 5 hereof, as if such Items of Equipment were being returned at the end of the Term applicable thereto, or Lessor, at its option, may remove the same from possession and use of Lessee and for such purpose may enter upon the premises of Lessee or any other premises where the Items of Equipment may be located and may use and employ in connection with such removal any supplies, services and aids and any available trackage and other facilities or

means of Lessee, subject to all mandatory requirements of due process of law;

(b) sell all or any Items of Equipment at public or private sale, as Lessor may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of such Items of Equipment as Lessor, in its sole discretion, may determine, all free and clear of any rights of Lessee except as hereinafter set forth in this Section 15 and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except to the extent required by paragraph (d) below if Lessor elects to exercise its rights under such paragraph in lieu of its rights under paragraph (c) below;

(c) whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a) or paragraph (b) above with respect to all or any Items of Equipment, Lessor, by written notice to Lessee specifying a payment date which shall be a Casualty Loss Determination Date occurring not earlier than 30 days from the date of such notice, may cause Lessee to pay to Lessor, and Lessee shall pay Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent payable after such Casualty Loss Determination Date), any unpaid Basic Rent due prior to such Casualty Loss Determination Date, plus, if such Casualty Loss Determination Date is a Rent Payment Date, the Basic Rent due and payable on such Rent Payment Date pursuant to Section 3(b) hereof (other than Basic Rent for such Items of Equipment specified on Schedule C hereto to be payable on such Date in advance for the period commencing on such Date), plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice: (i) an amount equal to the excess, if any, of the Stipulated Loss Value for such Items of Equipment, computed as of such Casualty Loss Determination Date, over the fair market rental value of such Items of Equipment for the remainder of the Term applicable thereto, after discounting such fair market rental value semi-annually (effective on the Rent Payment Dates) to present worth as of such Casualty Loss Determination Date at the original Average Certificate Rate; or (ii) an amount equal to the excess, if any, of the Stipulated Loss Value for such Items of Equipment computed as of such Casualty Loss Determination Date, over the fair market sales value of such Items of Equipment as of such Casualty Loss Determination Date;

(d) in the event Lessor, pursuant to paragraph (b) above, shall have sold all or any part of any Items of Equipment, Lessor, in lieu of exercising its rights under paragraph (c) above with respect to such Items of Equipment, may, if it shall so elect, cause Lessee to pay Lessor, and Lessee shall pay to Lessor, on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent payable after the date of such sale), the sum of (i) any unpaid Basic Rent due prior to the date of sale, plus, if the date of sale is not a Rent Payment Date, the daily equivalent of Basic Rent for each day from and including the Casualty Loss Determination Date immediately preceding the date of such sale to but excluding the date of such sale, (ii) if the date of such sale is a Rent Payment Date, the Basic Rent due and payable on that date pursuant to Section 3(b) hereof (other than Basic Rent for such Items of Equipment specified on Schedule C hereto to be payable on such Date in advance for the period commencing on such Date), and (iii) the amount of any deficiency between the net sales proceeds to Lessor (after deducting the reasonable out-of-pocket expenses incurred by Lessor) and the Stipulated Loss Value for such Items of Equipment, computed as of the Casualty Loss Determination Date immediately preceding the date of such sale; and

(e) Lessor may rescind this Lease as to any Items of Equipment, or may exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action to enforce the terms or to recover damages for the breach hereof.

In addition, Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before, after or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Items of Equipment in accordance with the terms of Section 5 hereof or in placing such Items of Equipment in the condition required by such Section. For the purpose of paragraph (c) above and the preceding sentence, the "fair market rental value" or the "fair market sales value" of any Items of Equipment shall be determined by an Independent Appraisal. At any sale of any Items of Equipment pursuant to this Section 15, Lessor, the Equipment Trust Trustee or the Owner Participant may bid for

and purchase such property. Except as otherwise expressly provided above, no remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity; and the exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default. To the extent permitted by applicable law, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use any Items of Equipment in mitigation of Lessor's damages as set forth in this Section 15 or which may otherwise limit or modify any of Lessor's rights or remedies under this Section 15.

Section 16. Further Assurances. Lessee will promptly and duly execute and deliver to Lessor such further documents and assurances and take such further action as Lessor may from time to time reasonably request in order to effectively carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor hereunder.

Section 17. Notices. All notices required or permitted by the terms of this Lease shall be in writing. Any written notice shall become effective when delivered. Any written notice shall either be mailed, certified or registered mail, return receipt requested with proper first class postage prepaid, or sent in the form of a telex, telegram or telecopy, or by overnight delivery service or delivered by hand. Any written notice shall be addressed. (i) if to Lessee, at Six Penn Center Plaza, Philadelphia, Pennsylvania 19103, Attention: Assistant Treasurer-Financing, or at such other address as Lessee shall from time to time designate in writing to Lessor and to the Equipment Trust Trustee, (ii) if to Lessor, at 777 Main Street, Hartford, Connecticut 06115, or at such other address as Lessor shall from time to time designate in writing to Lessee and to the Equipment Trust Trustee, with a copy to the Owner Participant, (iii) if to the Owner Participant, addressed to the Owner Participant at such address as the Owner Participant shall from time to time designate in writing to Lessor and to Lessee, or, until an address is so designated, at its address set forth on the signature pages of the Participation Agreement, and (iv) if to the Equipment Trust Trustee, at 2 Hopkins Plaza, Baltimore, Maryland 21201,

Attention: Corporate Trust Department, or at such other address as the Equipment Trust Trustee shall from time to time designate in writing to Lessor and Lessee, with a copy to the Owner Trustee and the Owner Participant. Lessee shall furnish Lessor a sufficient number of copies for transmission to the Owner Participant of all reports, notices, requests, demands, certificates, financial statements, and other instruments furnished by Lessee hereunder.

Section 18. Net Lease, Etc. This is a net lease and Lessee's obligation to pay all Rent payable hereunder shall be absolute and unconditional and shall not be affected by any circumstances of any character, including, without limitation, any setoff, counterclaim, recoupment, defense or other right which Lessee may have against the Owner Trustee, the Equipment Trust Trustee, the Owner Participant or anyone else for any reason whatsoever, including, without limitation, (i) any defect in the title, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, any Items of Equipment, or any interruption or cessation in or prohibition of the use or possession thereof by Lessee for any reason whatsoever, (ii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee or (iii) any other circumstance, happening or event whatsoever, whether or not unforeseen or similar to any of the foregoing; provided that so long as no Event of Default or Potential Default shall have occurred and be continuing, if Lessor or anyone claiming through Lessor shall interfere with Lessee's right to possession and use of any Item of Equipment in accordance with the terms of this Lease solely as a result of any Lessor's Lien, Lessee's obligation to pay Basic Rent (other than the portion thereof required to be paid as specified in the last proviso to this sentence) with respect to such Item of Equipment shall abate on a daily basis commencing on the expiration of the 10-day period referred to in the following proviso and ending on the date of termination of such interference with possession and use in an amount equal to the daily equivalent of Basic Rent (computed over the Term of the Lease) otherwise payable to the Owner Participant with respect to such Item of Equipment for such period of interference; provided, however, that an authorized officer of Lessee shall have given 10 days' prior written notice thereof to Lessor, the Owner Participant and the Equipment Trust Trustee in sufficient detail identifying such Item of Equipment, the source, nature and location of such interference and the amount of Basic Rent being abated; and provided, further, however, that such abatement of Basic Rent shall be limited solely to that portion of Basic Rent which is not allocable to the payment of principal of and

interest due and payable on the Certificates. Any improper abatement of Basic Rent by Lessee under the immediately preceding sentence shall be deemed an Event of Default and shall be deemed cured upon payment by Lessee to Lessor of the amount of any such improper abatement together with interest thereon at the Overdue Rate.

If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise except as specifically provided herein, Lessee nonetheless agrees to pay to Lessor or to the Equipment Trust Trustee, as the case may be, an amount equal to each Basic Rent and Supplemental Rent payment under Section 3 hereof at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Lessee hereby waives, to the extent permitted by Applicable Law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Each payment of Rent made by Lessee shall be final as to Lessor and Lessee, and Lessee will not seek to recover all or any part of any such payment of Rent from Lessor or from the Equipment Trust Trustee for any reason whatsoever. Notwithstanding any other provision of this Section 18 to the contrary, Lessee shall not be impaired in the exercise of any right it may have to assert and sue upon any claim it may have against Lessor or the Owner Participant in a separate action.

Section 19. Renewal Option. (a) Fixed Price Renewal Option. So long as this Lease shall not have been terminated and no Event of Default shall have occurred and be continuing, Lessee shall have the option to extend the lease hereunder of any or all of the Items of Equipment (but in no event less than the Minimum Number of Locomotives or the Minimum Number of Auto Racks) for successive periods of not less than one year each, the first such period commencing at the end of the Basic Lease Term; provided that the total of all such periods under this Section 19(a) shall not exceed three years. The Basic Rent payable for each Item of Equipment the lease of which has been so extended under this Section 19(a) shall be equal to one-half of the average annual Basic Rent for such Item of Equipment paid in respect of the Basic Lease Term applicable to such Item of Equipment.

(b) Fair Market Value Renewal Options. So long as this Lease shall not have been terminated and no Event of Default shall have occurred and be continuing, Lessee shall

also have the option to extend the lease hereunder of any or all of the Items of Equipment (but in no event less than the Minimum Number of Locomotives or the Minimum Number of Auto Racks) for successive periods of not less than one year each, the first such period commencing at the end of the total of all periods covered by the fixed price renewal option referred to in Section 19(a); provided that the total of all such periods under this Section 19(b) shall not exceed three years. The Basic Rent payable for each Item of Equipment the lease of which has been so extended under this Section 19(b) shall be equal to its fair market rental value determined by an Independent Appraisal.

(c) Exercise of Option. Lessee may exercise its option to extend the lease hereunder of any Item of Equipment pursuant to this Section 19 by irrevocable written notice delivered to Lessor not later than the 120th day prior to the date on which this Lease as applicable to such Item of Equipment would otherwise expire.

In order to enable Lessee to determine whether it wishes to exercise such option to extend this Lease, the fair market rental value of such Item of Equipment shall, at Lessee's request, be made in sufficient time to permit such determination, be determined not less than 180 days prior to the date on which the Lease as applicable to such Item of Equipment would otherwise expire by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by Independent Appraisal.

(d) Stipulated Loss Value. The amounts payable as Stipulated Loss Value during any Renewal Term upon an Event of Loss occurring to any Item of Equipment shall be determined on the basis of the sum of (i) the fair market sales value of such Item of Equipment as of the commencement of such Renewal Term, amortized on a straight-line basis over such Renewal Term to the fair market sales value of such Item of Equipment as of the expiration of such Renewal Term, as such fair market sales value in each case is determined prior to the commencement of such Renewal Term by mutual consent of Lessor and Lessee or, if they shall be unable to agree, as determined by an Independent Appraisal, plus (ii) any accrued and unpaid Basic Rent determined on a pro rata basis as of the date of actual settlement.

(e) Evidence of Renewal. In the event the lease of any Item of Equipment hereunder is extended pursuant to this Section 19, such extension shall be evidenced by a separate lease agreement executed and delivered by Lessor and Lessee

substantially identical to this Lease as in effect immediately prior to such extension, and such Item of Equipment shall cease to be covered by this Lease as so in effect.

Section 20. Purchase Option. So long as this Lease shall not have been terminated and no Event of Default shall have occurred and be continuing, Lessee shall have the option to purchase any or all Items of Equipment (but in no event less than the Minimum Number of Locomotives or the Minimum Number of Auto Racks) (i) on the Rent Payment Date which is three years prior to the Basic Lease Termination Date applicable to such Item of Equipment, at a purchase price equal to 50% of the Cost thereof, in the case of a Locomotive, and 50% of the Cost thereof, in the case of an Auto Rack; provided that in the event Lessee exercises its option to assume the obligations of the Owner Trustee pursuant to Section 19(h) of the Participation Agreement, the purchase price payable under this clause (i) shall be reduced by the principal amount of the Certificates at the time Outstanding, (ii) on the Basic Lease Termination Date applicable to such Item of Equipment, at a purchase price equal to the fair market sales value of such Item of Equipment, and (iii) at the expiration of any Renewal Term applicable to such Item of Equipment, at a purchase price equal to the fair market sales value of such Item of Equipment. In addition, Lessee shall pay in any case all Basic Rent payable on the date of purchase other than Basic Rent for the Item of Equipment being purchased which is stated to be payable in advance on such date in Schedule C hereto, together with all Supplemental Rent due and payable on such date.

Lessee may exercise its option to purchase any or all of the Items of Equipment pursuant to this Section 20 by irrevocable written notice delivered to Lessor not later than the 120th day prior to the date on which such option is exercisable. In order to enable Lessee to determine whether it wishes to exercise such option, the fair market sales value of such Item of Equipment shall, at Lessee's request made in sufficient time to permit such determination, be determined not later than 180 days prior to the date on which such option is exercisable by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by Independent Appraisal.

If Lessee shall have so elected to purchase such Item of Equipment, Lessor shall transfer without recourse or warranty (except as to Lessor's Liens) such Item of Equipment

to Lessee or its assignee or nominee against payment by Lessee of the purchase price in immediately available funds.

Section 21. Successor Owner Trustee. Lessee agrees that, in the case of the appointment of any successor Owner Trustee pursuant to the terms of the Trust Agreement, such successor Owner Trustee shall, upon written notice by such successor Owner Trustee to Lessee, succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor and the owner of Items of Equipment for all purposes without the necessity of any consent or approval by Lessee and without in any way altering the terms of this Lease or Lessee's obligations hereunder. Lessee further agrees that in the case of the appointment of any additional trustee to act as co-trustee or as a separate trustee pursuant to the terms of the Trust Agreement, such additional trustee shall, upon written notice by Lessor to Lessee, acquire such rights, power and title of Lessor hereunder as are specified in the instruments appointing such additional trustee, without in any way altering the terms of this Lease or Lessee's obligations hereunder. One such appointment and designation of a successor or additional Owner Trustee shall not exhaust the right to appoint and designate further successor or additional Owner Trustees pursuant to the Trust Agreement, but such right may be exercised repeatedly as long as this Lease shall be in effect.

Section 22. Security for Lessor's Obligation to Certificate Holders. In order to secure all payments payable by and all obligations to be performed by Lessor under the Equipment Trust Agreement, Lessor has agreed in the Equipment Trust Agreement, among other things, to assign to the Equipment Trust Trustee this Lease and to grant a security interest in favor of the Equipment Trust Trustee to all Items of Equipment, subject to the reservations and conditions therein set forth. To the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the original counterpart, which shall be identified as the counterpart containing the receipt therefor executed by the Equipment Trust Trustee on the signature page thereof.

Section 23. Investment of Security Funds. Any moneys required to be paid to or retained by Lessor which are not required to be paid to Lessee pursuant to Section 10 or 11 hereof solely because an Event of Default or Potential

Default shall have occurred and be continuing, shall, until paid to Lessee as provided in Section 10 or 11 hereof or applied as provided herein or in the Trust Agreement and the Equipment Trust Agreement, be invested in Permitted Investments by Lessor (unless the Equipment Trust Agreement shall not have terminated pursuant to its terms, in which case, by the Equipment Trust Trustee as provided in Section 8.04 of the Equipment Trust Agreement) from time to time as directed in writing by Lessee. There shall be promptly remitted to Lessee any gain (including interest received) realized as the result of any such investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) unless an Event of Default or Potential Default shall have occurred and be continuing, and Lessee will promptly pay to Lessor or the Equipment Trust Trustee, as the case may be, on demand, the amount of any loss realized as the result of any such investment (together with any fees, commissions and other expenses, if any, incurred in connection with such investment), such amount to be disposed of in accordance with the terms of the Trust Agreement and the Equipment Trust Agreement.

Section 24. Lessor's Right to Perform for Lessee. If Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein and such failure can be cured with the payment of money, Lessor may, on behalf of Lessee and upon notice to Lessee, itself make such payment. The amount of any such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment, together with interest thereon, to the extent permitted by applicable law, at the Overdue Rate, shall be deemed Supplemental Rent, payable by Lessee upon demand.

Section 25. Concerning Lessor. The Connecticut National Bank is entering into this Lease solely in its capacity as Owner Trustee under the Trust Agreement and not in its individual capacity (except as expressly provided in Section 4) and in no case shall The Connecticut National Bank (or any entity acting as successor owner trustee under the Trust Agreement) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations of Lessor hereunder; provided, however, that The Connecticut National Bank (or any successor owner trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct or for its breach of any representation or warranty made in its individual capacity in Section 4 hereof. If a successor Owner Trustee is appointed in accordance with the terms of the Trust

Agreement, such successor Owner Trustee shall, without any further act, succeed to all the rights, duties, immunities and obligations of Lessor hereunder and the predecessor Owner Trustee shall be released from all further duties and obligations hereunder.

Section 26. Repayment of Excess Amounts. To the extent, if any, that there shall not have been received by the Equipment Trust Trustee at the office of the Equipment Trust Trustee referred to in Section 3(d) by 11:30 A.M., New York City time, on any date specified in Exhibit D hereto as an "Excess Amount Date" an amount equal to the amount specified in Exhibit C hereto as an "Excess Amount" for such Excess Amount Date, Lessee shall advance to Lessor as a loan, by paying to the Equipment Trust Trustee on behalf of Lessor on such Excess Amount Date an amount equal to the Excess Amount not so paid, together with interest on such amount not paid when due for any period for which the same shall be overdue. Lessor agrees to reimburse Lessee in the manner provided in the following sentence for (x) the amount so advanced by Lessee, including such interest paid, plus (y) accrued interest on the unreimbursed portion thereof, at a rate per annum equal to 5% over the rate announced from time to time by Morgan Guaranty Trust Company at its principal office in New York City as its prime rate, from the date such amount is paid by Lessee to but not including the date of each such reimbursement (such amount to be reimbursed being herein called the "Reimbursement Amount"). So long as no Event of Default has occurred and is continuing, upon written demand by Lessee delivered to Lessor (with a copy to the Owner Participant) Lessor will promptly pay to Lessee the Reimbursement Amount and, if, for any reason, Lessor shall fail so to pay to Lessee such Reimbursement Amount, upon at least five days prior written notice to the Equipment Trust Trustee Lessee shall be entitled to offsets (without duplication) against each succeeding payment (other than as limited by the proviso to this sentence) due from Lessee to Persons other than the Equipment Trust Trustee and Lessor in its individual capacity (including, without limitation, Basic Rent, Supplemental Rent payable under Sections 9, 10, 15 and 19 hereof, payments due under the Tax Indemnity Agreement and payments due to Persons other than the Equipment Trust Trustee and Lessor in its individual capacity under Section 15 of the Participation Agreement), until Lessee has been fully reimbursed for the Reimbursement Amount; provided, however, that in the case of any payment due from Lessee which is distributable under the terms of the Equipment Trust Agreement, Lessee's right of offset shall be limited to amounts distributable to Lessor or the Owner Participant

thereunder. No such offset or aggregate combined effect of separate offsets shall reduced the amount of any installment of Basic Rent to an amount insufficient, together with all other amounts payable simultaneously by Lessee, to pay in full the payments then required to be made on account of the principal amount (and premium, if any) of and interest on the Certificates then Outstanding.


Section 27. Miscellaneous. The rights of the Lessee under Section 8, 9(a), 9(b), 10(a) or 20 hereof shall be conditioned upon compliance by Lessee with Section 4.02 of the Equipment Trust Agreement. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This Lease may be executed by the parties hereto in separate counterparts, each of which, subject to Section 22 hereof, when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision prohibited or unenforceable in any respect. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in any Item of Equipment except as a lessee only. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Lease. This Lease has been delivered in the State of New York and shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Agreement to be duly executed as of the day and year first above written.

LESSOR

THE CONNECTICUT NATIONAL BANK
not in its individual
capacity, except as
otherwise provided, but
solely as Owner Trustee

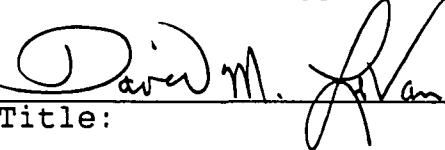
By


Title: VICE PRESIDENT

LESSEE

CONSOLIDATED RAIL CORPORATION

By


Title:

STATE OF Conn.)
) ss:
COUNTY OF Hartford)

On this 19th day of April, 1988 before me personally appeared, **STEPHEN J. KABA**, to me personally known, who being by me duly sworn, says that (s)he is the **VICEPRESIDENT** of The Connecticut National Bank, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on April 17, 1988 on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Signature]
Notary Public

[Notarial Seal]

DEBRA A. CARLEY
NOTARY PUBLIC

My commission expires MY COMMISSION EXPIRES MARCH 31, 1990

STATE of New York
~~COMMONWEALTH OF~~
COUNTY OF New York

)
) ss:
)

On this 20th day of April, 1988 before me personally appeared, David M. LeVan, to me personally known, who being by me duly sworn, says that ~~he~~ is the Vice President of Consolidated Rail Corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on April 20, 1988 on behalf of said corporation by authority of its Board of Directors, and ~~is~~ he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Signature]
Notary Public

[Notarial Seal]

My commission expires 11/30/88

PHYLLIS G. REDMOND
Notary Public, State of New York
No. 31-4523661
Qualified in New York County
Commission Expires 11/30/88

Exhibit A to
Lease Agreement

CERTIFICATE OF ACCEPTANCE NO. __, dated _____, 198_, between THE CONNECTICUT NATIONAL BANK, a national banking association, not in its individual capacity but solely as Owner Trustee under Trust Agreement #1, dated as of April 1, 1988, between ORIENT LEASING USA CORP., a Delaware corporation, and such Owner Trustee (such Owner Trustee, in its capacity as such Owner Trustee, being herein called "Lessor"), and CONSOLIDATED RAIL CORPORATION, a Pennsylvania corporation ("Lessee").

W I T N E S S E T H :

WHEREAS, Lessor and Lessee have heretofore entered into Lease Agreement #1, dated as of April 1, 1988 (herein called the "Lease Agreement" and the defined terms therein being hereinafter used with the same meanings). The Lease Agreement provides for the execution and delivery from time to time of Certificate of Acceptances, each substantially in the form hereof, for the purpose of leasing specific Items of Equipment under the Lease Agreement as and when delivered by Lessor to Lessee in accordance with the terms thereof.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Lessor hereby delivers and leases to Lessee under the Lease Agreement, and Lessee hereby accepts and leases from Lessor under the Lease Agreement, the Items of Equipment specified in Schedule I hereto.

2. The date of delivery and acceptance of such Items of Equipment under the Lease is the date of this Certificate of Acceptance as set forth in the opening paragraph hereof.

3. The Term for such Items of Equipment shall commence on the date hereof.

4. Lessee hereby confirms to Lessor that such Items of Equipment shall be duly marked in accordance with the terms of Section 7(d) of the Lease Agreement and that Lessee has accepted such Items of Equipment for all purposes hereof and of the Lease Agreement as being in good working order and repair and without defect or inherent vice in title, condition, design, operation or fitness for use and that such Items of Equipment meet the specifications therefor in the applicable Purchase Agreement; provided,

however, that nothing contained herein or in the Lease Agreement shall in any way diminish or otherwise affect any right Lessee or Lessor may have with respect to such Items of Equipment against the Builder thereof or any subcontractor or supplier of such Builder.

5. Lessee hereby confirms its agreement to pay Lessor Rent for such Items of Equipment throughout the Term therefor in accordance with Section 3 of the Lease.

6. This Certificate of Acceptance may be executed by the parties hereto in separate counterparts, each of which, when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Lessor and Lessee have caused this Certificate of Acceptance to be duly executed on the day and year first above written.

LESSOR

THE CONNECTICUT NATIONAL BANK
not in its individual
capacity, but solely as
Owner Trustee

By CONSOLIDATED RAIL
CORPORATION, Agent

By _____
Title:

LESSEE

CONSOLIDATED RAIL CORPORATION

By _____
Title:

EXHIBIT B

STIPULATED LOSS VALUES AND TERMINATION VALUES*

CLASS OF EQUIPMENT

<u>DATE</u>	<u>CLASS I</u>	<u>CLASS II</u>	<u>CLASS III</u>
15-May-88	102.04037		102.18454
15-Jun-88	102.25157		102.70353
15-Jul-88	102.54864		103.63414
15-Aug-88	103.17301		104.56786
15-Sep-88	103.84940		105.50472
15-Oct-88	104.73173		106.39713
15-Nov-88	105.64784		107.34127
15-Dec-88	106.56703	102.14266	108.28865
15-Jan-89	107.47946	103.11538	109.22872
15-Feb-89	108.36393	104.06429	110.13993
15-Mar-89	109.25116	105.01652	111.05405
15-Apr-89	101.84846	105.94473	103.06463
15-May-89	102.63386	106.91857	103.86715
15-Jun-89	103.42104	107.89599	104.67153
15-Jul-89	104.17903	108.84964	105.44569
15-Aug-89	104.93853	109.80666	106.22142
15-Sep-89	105.69956	110.76709	106.99873
15-Oct-89	105.09245	110.70092	107.74557
15-Nov-89	105.86284	111.68440	108.55432
15-Dec-89	106.63487	112.67155	109.36498
15-Jan-90	107.39477	113.65024	110.16331
15-Feb-90	108.13443	114.60220	110.94059
15-Mar-90	108.87542	115.55752	111.71947
15-Apr-90	102.87410	107.46197	103.71542
15-May-90	103.54495	108.30552	104.39118
15-Jun-90	104.21645	109.15135	105.06755
15-Jul-90	104.86682	109.96915	105.72165
15-Aug-90	105.51765	110.78899	106.37615
15-Sep-90	106.16894	111.61089	107.03103
15-Oct-90	103.92034	111.40186	107.55072
15-Nov-90	104.56282	112.24106	108.24207
15-Dec-90	105.20568	113.08252	108.93417
15-Jan-91	105.83923	113.91275	109.61687
15-Feb-91	106.45755	114.72403	110.28351
15-Mar-91	107.07601	115.53729	110.95065
15-Apr-91	105.05264	107.30750	106.70948
15-May-91	105.67210	108.01549	107.34103
15-Jun-91	106.29172	108.72443	107.97274
15-Jul-91	106.89595	109.41322	108.58788
15-Aug-91	107.50019	110.10277	109.20302
15-Sep-91	108.10443	110.79310	109.81817

EXHIBIT B

STIPULATED LOSS VALUES AND TERMINATION VALUES*

CLASS OF EQUIPMENT

<u>DATE</u>	<u>CLASS I</u>	<u>CLASS II</u>	<u>CLASS III</u>
15-Oct-91	101.72880	110.46044	106.44392
15-Nov-91	102.30331	111.18226	107.04998
15-Dec-91	102.87783	111.90523	107.65603
15-Jan-92	103.44943	112.61997	108.25893
15-Feb-92	104.01681	113.32132	108.85684
15-Mar-92	104.58416	114.02361	109.45471
15-Apr-92	103.94368	105.68846	109.03068
15-May-92	104.52795	106.29239	109.64833
15-Jun-92	105.11232	106.89630	110.26610
15-Jul-92	105.68683	107.49410	110.87217
15-Aug-92	106.26135	108.09186	111.47824
15-Sep-92	106.83586	108.68959	112.08431
15-Oct-92	99.00936	108.27852	104.82785
15-Nov-92	99.54446	108.91245	105.39886
15-Dec-92	100.07955	109.54679	105.96987
15-Jan-93	100.61278	110.17513	106.53866
15-Feb-93	101.14229	110.79438	107.10302
15-Mar-93	101.67176	111.41391	107.66735
15-Apr-93	100.86777	103.00034	107.04209
15-May-93	101.41150	103.56196	107.62341
15-Jun-93	101.95532	104.12345	108.20482
15-Jul-93	102.49041	104.68083	108.77586
15-Aug-93	103.02551	105.23807	109.34690
15-Sep-93	103.56061	105.79516	109.91794
15-Oct-93	95.82130	105.34546	102.79528
15-Nov-93	96.33391	105.99698	103.35492
15-Dec-93	96.84683	106.64994	103.91498
15-Jan-94	97.35616	107.30016	104.47081
15-Feb-94	97.85836	107.94422	105.01797
15-Mar-94	98.36078	108.58966	105.56544
15-Apr-94	95.97208	100.20496	103.00146
15-May-94	96.46744	99.72799	103.54037
15-Jun-94	96.96295	100.25388	104.07949
15-Jul-94	97.45120	100.77239	104.60979
15-Aug-94	97.93952	101.29103	105.14023
15-Sep-94	98.42791	101.80980	105.67079
15-Oct-94	92.19246	102.32112	100.42073
15-Nov-94	92.64526	93.76439	100.92274
15-Dec-94	93.09806	94.23164	101.42479
15-Jan-95	93.54924	94.69558	101.92287
15-Feb-95	93.99989	95.15627	102.41915

EXHIBIT B

STIPULATED LOSS VALUES AND TERMINATION VALUES*

CLASS OF EQUIPMENT

<u>DATE</u>	<u>CLASS I</u>	<u>CLASS II</u>	<u>CLASS III</u>
15-Mar-95	94.45055	95.61696	102.91542
15-Apr-95	92.18636	96.07595	100.42743
15-May-95	92.63648	93.76760	100.92242
15-Jun-95	93.08660	94.22658	101.41739
15-Jul-95	93.53620	94.68386	101.91107
15-Aug-95	93.98578	95.14112	102.40474
15-Sep-95	94.43536	95.59836	102.89840
15-Oct-95	87.99831	96.05390	97.49932
15-Nov-95	80.92843	89.21644	97.96982
15-Dec-95	81.29033	89.63820	98.44031
15-Jan-96	81.65199	90.05919	98.91020
15-Feb-96	82.01726	90.47997	99.38145
15-Mar-96	82.38252	90.90072	99.85267
15-Apr-96	82.75635	91.32127	97.47329
15-May-96	79.88268	89.17682	97.94585
15-Jun-96	80.24434	89.59731	98.41841
15-Jul-96	80.60960	90.01760	98.89232
15-Aug-96	80.97486	90.43785	99.36623
15-Sep-96	81.34013	90.85808	99.84013
15-Oct-96	81.71396	91.27810	94.29295
15-Nov-96	73.52816	83.07713	88.95370
15-Dec-96	73.85029	83.45181	89.36201
15-Jan-97	74.17401	83.82638	89.77091
15-Feb-97	74.50206	84.20420	90.18206
15-Mar-97	74.83011	84.58202	90.59321
15-Apr-97	75.16848	84.96310	91.00969
15-May-97	72.26631	83.05090	88.29168
15-Jun-97	72.59002	83.43198	88.70052
15-Jul-97	72.91808	83.81929	89.11159
15-Aug-97	73.24613	84.20666	89.52267
15-Sep-97	73.57418	84.59407	89.93375
15-Oct-97	73.91255	84.98934	90.35006
15-Nov-97	64.07811	75.35877	82.11441
15-Dec-97	64.34945	75.68959	82.48197
15-Jan-98	64.62538	76.02186	82.85050
15-Feb-98	64.91294	76.35855	83.22263
15-Mar-98	65.20066	76.69524	83.59476
15-Apr-98	65.50013	77.04246	83.97543
15-May-98	64.17182	75.36963	82.11273
15-Jun-98	64.47184	75.71706	82.49339
15-Jul-98	64.78374	76.07512	82.88267

EXHIBIT B

STIPULATED LOSS VALUES AND TERMINATION VALUES*

CLASS OF EQUIPMENT

<u>DATE</u>	<u>CLASS I</u>	<u>CLASS II</u>	<u>CLASS III</u>
15-Aug-98	65.09603	76.43339	83.27212
15-Sep-98	65.40873	76.79187	83.66174
15-Oct-98	65.73343	77.16109	84.06008
15-Nov-98	55.62949	67.21656	76.20478
15-Dec-98	55.85935	67.50655	76.54393
15-Jan-99	56.09136	67.79847	76.88466
15-Feb-99	56.33410	68.09521	77.22931
15-Mar-99	56.57693	68.39194	77.57395
15-Apr-99	56.83241	68.69351	77.92791
15-May-99	55.68806	67.18565	75.62044
15-Jun-99	55.94398	67.48722	75.96500
15-Jul-99	56.21266	67.80032	76.31876
15-Aug-99	56.48170	68.11353	76.67262
15-Sep-99	56.75109	68.42685	77.02656
15-Oct-99	57.03338	68.75182	77.38990
15-Nov-99	46.47463	58.55264	68.64050
15-Dec-99	46.68536	58.79874	68.94001
15-Jan-2000	46.90216	59.04698	69.24354
15-Feb-2000	47.13360	59.30780	69.55748
15-Mar-2000	47.36574	59.56875	69.87156
15-Apr-2000	47.61267	59.84239	70.19615
15-May-2000	46.89559	58.62680	68.72340
15-Jun-2000	47.14423	58.90094	69.04849
15-Jul-2000	47.40782	59.18792	69.38420
15-Aug-2000	47.67242	59.47527	69.72027
15-Sep-2000	47.93805	59.76301	70.05670
15-Oct-2000	48.21880	60.06372	70.40386
15-Nov-2000	37.20767	49.50026	62.51683
15-Dec-2000	37.40148	49.70200	62.78995
15-Jan-2001	37.60259	49.90607	63.06500
15-Feb-2001	37.82032	50.11588	63.34790
15-Mar-2001	38.03933	50.32570	63.63085
15-Apr-2001	38.27513	50.54919	63.92478
15-May-2001	37.98245	49.51391	61.51574
15-Jun-2001	38.22118	49.73767	61.79304
15-Jul-2001	38.47690	49.97524	62.08126
15-Aug-2001	38.73428	50.21309	62.36959
15-Sep-2001	38.99332	50.45121	62.65803
15-Oct-2001	39.26955	50.70328	62.95750
15-Nov-2001	27.72547	39.86135	53.66840
15-Dec-2001	27.91710	40.01523	53.90017

EXHIBIT B

STIPULATED LOSS VALUES AND TERMINATION VALUES*

CLASS OF EQUIPMENT

<u>DATE</u>	<u>CLASS I</u>	<u>CLASS II</u>	<u>CLASS III</u>
15-Jan-2002	28.11752	40.17166	54.13689
15-Feb-2002	28.33698	40.34313	54.38567
15-Mar-2002	28.55861	40.51475	54.63472
15-Apr-2002	28.79948	40.70156	54.89594
15-May-2002	29.04273	39.65848	53.83181
15-Jun-2002	29.28838	39.84113	54.09383
15-Jul-2002	29.55351	40.03908	54.36816
15-Aug-2002	29.82126	40.23744	54.64300
15-Sep-2002	30.09166	40.43620	54.91838
15-Oct-2002	30.38178	40.65043	55.20620
15-Nov-2002	19.15971	29.75057	45.49449
15-Dec-2002	19.26769	29.88044	45.71513
15-Jan-2003	19.38432	30.01747	45.94174
15-Feb-2003	19.51923	30.17146	46.18218
15-Mar-2003	19.65546	30.32617	46.42349
15-Apr-2003	19.81017	30.49802	46.67877
15-May-2003	19.55489	29.43314	46.02025
15-Jun-2003	19.70595	29.59452	46.27757
15-Jul-2003	19.87562	29.77310	46.54903
15-Aug-2003	20.04696	29.95265	46.82166
15-Sep-2003	20.22000	30.13317	47.09547
15-Oct-2003	20.00000	30.33108	47.38358
15-Nov-2003		19.41329	37.21210
15-Dec-2003		19.52585	37.42730
15-Jan-2004		19.64681	37.64967
15-Feb-2004		19.81459	37.88792
15-Mar-2004		19.98404	38.12776
15-Apr-2004		20.00000	38.38364
15-May-2004			38.18010
15-Jun-2004			38.43953
15-Jul-2004			38.71519
15-Aug-2004			38.99282
15-Sep-2004			39.27242
15-Oct-2004			39.56846
15-Nov-2004			28.92939
15-Dec-2004			29.13886
15-Jan-2005			29.35682
15-Feb-2005			29.59272
15-Mar-2005			29.83095
15-Apr-2005			30.08732
15-May-2005			30.34622

EXHIBIT B

STIPULATED LOSS VALUES AND TERMINATION VALUES*

CLASS OF EQUIPMENT

<u>DATE</u>	<u>CLASS I</u>	<u>CLASS II</u>	<u>CLASS III</u>
15-Jun-2005			30.60767
15-Jul-2005			30.88750
15-Aug-2005			31.17009
15-Sep-2005			31.45547
15-Oct-2005			31.75945
15-Nov-2005			21.04180
15-Dec-2005			21.17192
15-Jan-2006			21.31035
15-Feb-2006			21.46598
15-Mar-2006			21.62316
15-Apr-2006			21.79773
15-May-2006			21.97402
15-Jun-2006			22.15206
15-Jul-2006			22.34769
15-Aug-2006			22.54526
15-Sep-2006			22.74477
15-Oct-2006			22.50000

* Plus premium, if any.

EXHIBIT C
INTERIM AND BASIC RENT

(a) CLASS I

BASIC LEASE COMMENCEMENT DATE: 10/15/88

INTERIM RENT 0.00%

BASIC RENT PAYMENT DATE	<u>BASIC RENT</u> <u>ADVANCE</u>	<u>ARREARS</u>
15-Apr-89	0.0000000	8.2617251
15-Oct-89	0.0000000	1.3386984
15-Apr-90	0.0000000	6.7218585
15-Oct-90	0.0000000	2.8785651
15-Apr-91	0.0000000	2.6271154
15-Oct-91	0.0000000	6.9733081
15-Apr-92	0.0000000	1.2036071
15-Oct-92	0.0000000	8.3968165
15-Apr-93	0.0000000	1.3297311
15-Oct-93	0.0000000	8.2706924
15-Apr-94	0.0000000	2.8839138
15-Oct-94	0.0000000	6.7165097
15-Apr-95	0.0000000	2.7143215
15-Oct-95	0.0000000	6.8861020
15-Oct-95	7.4317898	0.0000000
15-Apr-96	3.2353475	0.0000000
15-Oct-96	8.5079459	0.0000000
15-Apr-97	3.2259051	0.0000000
15-Oct-97	10.1057912	0.0000000
15-Apr-98	1.6280597	0.0000000
15-Oct-98	10.3338063	0.0000000
15-Apr-99	1.4000447	0.0000000
15-Oct-99	10.7689940	0.0000000
15-Apr-2000	0.9648570	0.0000000
15-Oct-2000	11.2039062	0.0000000
15-Apr-2001	0.5299448	0.0000000
15-Oct-2001	11.7338510	0.0000000
15-Apr-2002	0.0000000	0.0000000
15-Oct-2002	11.3289965	0.0000000
15-Apr-2003	0.4048545	0.0000000
TOTALS	92.8040942	67.2029647

EXHIBIT C
INTERIM AND BASIC RENT

(b) CLASS II

BASIC LEASE COMMENCEMENT DATE: 4/15/89

INTERIM RENT 0.00%

BASIC RENT PAYMENT DATE	BASIC RENT	
	ADVANCE	ARREARS
15-Oct-89	0.0000000	1.0026582
15-Apr-90	0.0000000	9.0239239
15-Oct-90	0.0000000	1.0026582
15-Apr-91	0.0000000	9.0239239
15-Oct-91	0.0000000	1.0026582
15-Apr-92	0.0000000	9.0239239
15-Oct-92	0.0000000	1.0026582
15-Apr-93	0.0000000	9.0239239
15-Oct-93	0.0000000	1.0026582
15-Apr-94	0.0000000	9.0239239
15-Apr-94	1.0026582	0.0000000
15-Oct-94	9.0239239	0.0000000
15-Apr-95	2.7673365	0.0000000
15-Oct-95	7.2592456	0.0000000
15-Apr-96	2.5649760	0.0000000
15-Oct-96	8.5756708	0.0000000
15-Apr-97	2.2932926	0.0000000
15-Oct-97	9.9614188	0.0000000
15-Apr-98	2.0201476	0.0000000
15-Oct-98	10.2345638	0.0000000
15-Apr-99	1.8094335	0.0000000
15-Oct-99	10.4452779	0.0000000
15-Apr-2000	1.4894860	0.0000000
15-Oct-2000	10.7652254	0.0000000
15-Apr-2001	1.2588982	0.0000000
15-Oct-2001	10.9958132	0.0000000
15-Apr-2002	1.2254711	0.0000000
15-Oct-2002	11.0292403	0.0000000
15-Apr-2003	1.2254711	0.0000000
15-Oct-2003	11.0292403	0.0000000
TOTALS	116.9767908	50.1329105

EXHIBIT C

INTERIM AND BASIC RENT

(c) CLASS III

BASIC LEASE COMMENCEMENT DATE: 10/15/88

INTERIM RENT 0.00%

BASIC RENT PAYMENT DATE	BASIC RENT	
	ADVANCE	ARREARS
15-Apr-89	0.0000000	8.8744128
15-Oct-89	0.0000000	0.0000000
15-Apr-90	0.0000000	8.7616833
15-Oct-90	0.0000000	0.1127295
15-Apr-91	0.0000000	4.8920955
15-Oct-91	0.0000000	3.9823173
15-Apr-92	0.0000000	1.0168736
15-Oct-92	0.0000000	7.8575392
15-Apr-93	0.0000000	1.1851301
15-Oct-93	0.0000000	7.6892827
15-Apr-94	0.0000000	3.1027039
15-Oct-94	0.0000000	5.7717089
15-Apr-95	0.0000000	2.9829729
15-Oct-95	0.0000000	5.8914399
15-Apr-96	0.0000000	2.8519627
15-Oct-96	0.0000000	6.0224501
15-Oct-96	5.7475668	0.0000000
15-Apr-97	3.1268460	0.0000000
15-Oct-97	8.6032228	0.0000000
15-Apr-98	2.2432818	0.0000000
15-Oct-98	8.1944707	0.0000000
15-Apr-99	2.6520339	0.0000000
15-Oct-99	9.0489082	0.0000000
15-Apr-2000	1.7975963	0.0000000
15-Oct-2000	8.1601656	0.0000000
15-Apr-2001	2.6863389	0.0000000
15-Oct-2001	9.5207575	0.0000000
15-Apr-2002	1.3257471	0.0000000
15-Oct-2002	9.9316913	0.0000000
15-Apr-2003	0.9148132	0.0000000
15-Oct-2003	10.3853172	0.0000000
15-Apr-2004	0.4611873	0.0000000
15-Oct-2004	10.8465045	0.0000000
15-Apr-2005	0.0000000	0.0000000
15-Oct-2005	10.8465045	0.0000000
15-Apr-2006	0.0000000	0.0000000
TOTALS	106.4929536	70.9953024

EXHIBIT D
EXCESS AMOUNTS

<u>EXCESS AMOUNT DATE</u>	<u>CLASS I</u>	<u>CLASS II</u>	<u>CLASS III</u>	<u>TOTAL EXCESS AMOUNT</u>
15-Oct-88	257852.54		1044367.16	1302219.70
15-Apr-89	0.00	73508.60	0.00	73508.60
15-Oct-89	312048.85	75709.92	1292000.61	1679759.38
15-Apr-90	0.00	0.00	0.00	0.00
15-Oct-90	101917.11	75709.92	1252539.14	1430166.17
15-Apr-91	136230.18	0.00	0.00	136230.18
15-Oct-91	129550.18	98031.63	357245.39	584827.20
15-Apr-92	306147.71	0.00	916979.73	1223127.44
15-Oct-92	83035.23	132370.96	251307.16	466713.35
15-Apr-93	256663.37	0.00	784514.73	1041178.10
15-Oct-93	339008.85	411522.43	1136002.27	1886533.55

SCHEDULE I

Assumptions Used by Owner Participant

1. Delivery Dates:

<u>Delivery Date</u>	<u>Class:</u>	<u>Equipment Cost By Class</u>			
		<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
05/06/88				17,502,720	
05/13/88		688,000.00			
06/03/88				17,502,720	
06/10/88		3,440,000.00			
07/08/88		5,289,287.50			
08/08/88		2,537,287.50			
09/08/88		1,691,525.00			
12/08/88			2,840,000		
Total:		13,646,100.00	2,840,000	35,005,440	

2. Funding Dates:

<u>Funding Date</u>	<u>Class:</u>	<u>Equipment Cost By Class</u>			
		<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
05/06/88				17,502,720	
05/13/88		688,000.00			
06/03/88				17,502,720	
06/10/88		3,440,000.00			
07/08/88		5,289,287.50			
08/08/88		2,537,287.50			
09/08/88		1,691,525.00			
12/08/88			2,840,000		
Total:		13,646,100.00	2,840,000	35,005,440	

- 3. Transaction Costs (other than the fees and expenses of Banker's Trust Company):** 1.75 percent of Equipment Cost

4. Interest Rates:

<u>Maturity</u>	<u>Interest Rate</u>
10/15/89	7.77%
10/15/90	8.08%
10/15/91	8.30%
10/15/92	8.51%
10/15/93	8.66%
10/15/94	8.85%
10/15/95	9.01%
10/15/96	9.04%
10/15/97	9.07%
10/15/98	9.26%
10/15/99	9.29%
10/15/00	9.43%
10/15/01	9.46%
10/15/02	9.55%
10/15/03	9.58%
10/15/04	9.67%
10/15/05	9.70%
10/15/06	9.74%

SCHEDULE II

DESCRIPTION OF ITEMS OF EQUIPMENT

<u>Builder</u>	<u>Equipment Description</u>	<u>Identification Numbers</u>
General Electric Company	Dash 8-40B Locomotives	CR 5060 to CR 5089
Thrall Car Manufacturing Company	Fully-enclosed Tri-level Auto Racks	CR 6100 to CR 6299 and CR 6500 to CR 6579
Trinity Industries, Inc.	Full-enclosed Tri-level Auto Racks	CR 6300 to CR 6499

SCHEDULE III

AMORTIZATION SPECIFIED FOR CLASSES OF EQUIPMENT AND MATURITIES OF CERTIFICATES

MATURITY DATE	CLASS I	CLASS II	CLASS III	CLASS IV	TOTAL
15-Oct-89	0.00	0.00	0.00	0.00	0.00
15-Oct-90	0.00	0.00	0.00	0.00	0.00
15-Oct-91	586,405.80	22,321.71	459,272.49	0.00	1,068,000.00
15-Oct-92	758,480.07	57,587.39	1,728,932.54	0.00	2,545,000.00
15-Oct-93	1,029,516.00	339,189.20	2,628,294.80	0.00	3,997,000.00
15-Oct-94	522,999.86	170,157.61	934,842.53	0.00	1,628,000.00
15-Oct-95	1,583,434.81	127,570.22	1,017,994.97	0.00	2,729,000.00
15-Oct-96	674,035.22	170,703.73	2,982,261.05	0.00	3,827,000.00
15-Oct-97	1,023,863.95	171,054.41	1,807,081.64	0.00	3,002,000.00
15-Oct-98	672,033.85	129,250.10	1,246,716.05	0.00	2,048,000.00
15-Oct-99	1,278,496.20	195,619.17	2,036,884.63	0.00	3,511,000.00
15-Oct-2000	1,258,717.99	138,890.63	994,391.38	0.00	2,392,000.00
15-Oct-2001	1,528,896.25	192,313.90	2,500,789.85	0.00	4,222,000.00
15-Oct-2002	0.00	269,451.35	3,012,548.65	0.00	3,282,000.00
15-Oct-2003	0.00	287,890.58	3,315,109.42	0.00	3,603,000.00
15-Oct-2004	0.00	0.00	3,339,000.00	0.00	3,339,000.00
15-Oct-2005	0.00	0.00	0.00	0.00	0.00
TOTALS	10,916,880.00	2,272,000.00	28,004,120.00	0.00	41,193,000.00

Consolidated Rail Corporation
Conrail 1988 Equipment Trust A

Appendix A to
Participation Agreement #1, Lease Agreement #1,
Equipment Trust Agreement #1 and Trust Agreement #1

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Paying Agent or Registrar.

"Amortization specified for" any maturity of Certificates and any Class of Equipment means the amount specified for such maturity of Certificates and such Class of Equipment in Schedule III to the Lease.

"Applicable Laws" means all applicable laws (foreign or domestic), treaties, judgments, decrees, injunctions, writs and orders of any court, governmental agency or authority and rules, regulations, orders, directives, licenses and permits of any governmental body, instrumentality, agency or authority, including, without limitation, all rules and regulations of the United States Department of Transportation and the ICC.

"Assignment" means the Purchase Agreements Assignment, dated as of April 1, 1988, between Lessee and the Owner Trustee.

"Auto Rack" means each of the 280 fully-enclosed tri-level auto racks manufactured by Thrall Car Manufacturing Company under the Purchase Agreement dated as of March 18, 1988 between Lessee and Thrall Car Manufacturing Company and each of the 200 fully-enclosed tri-level auto racks manufactured by Trinity Industries, Inc. under the Purchase Agreement dated as of January 13, 1988 between Lessee and Trinity Industries, Inc.

"Average Certificate Rate" means the weighted average interest rate applicable to the Certificates at the time Outstanding.

"Basic Lease Commencement Date", with respect to any Item of Equipment, means (a) October 15, 1988, in the case of Items of Equipment delivered on Delivery Dates prior to October 1, 1988, and (b) April 15, 1989, in the case of all other Items of Equipment.

"Basic Lease Term", with respect to any Item of Equipment, means the period from the Basic Lease Commencement Date of such Item of Equipment to the Basic Lease Termination Date of such Item of Equipment.

"Basic Lease Termination Date", with respect to any Item of Equipment, means (a) the 15th anniversary of the Basic Lease Commencement Date of such Item of Equipment, in the case of an Auto Rack, and (b) the 18th anniversary of the Basic Lease Commencement Date of such Item of Equipment, in the case of a Locomotive.

"Basic Rent" for any Item of Equipment means the rent payable for such Item of Equipment pursuant to the second sentence of Section 3(b) of the Lease, as the same may be adjusted pursuant to Section 3(e) of the Lease, or, during any Renewal Term, the rent payable for such Item of Equipment pursuant to Section 19 of the Lease.

"Basic Rent Payment Date" for any Item of Equipment means each April 15 and October 15 during the Term applicable to such Item of Equipment commencing April 15, 1989 in the case of Items of Equipment delivered on Delivery Dates prior to October 1, 1988, and commencing October 15, 1989 in the case of all other Items of Equipment.

"Bill of Sale" means a warranty bill of sale for any Item of Equipment in the case of the Builder thereof or a quitclaim bill of sale for any Item of Equipment in the case of the Owner Trustee.

"Builder" means (a) General Electric Company, in the case of the Locomotives, and (b) the actual builder thereof (either Thrall Car Manufacturing Company or Trinity Industries, Inc.), in the case of the Auto Racks.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banking institutions in Baltimore, Maryland or Hartford, Connecticut or

Philadelphia, Pennsylvania (or such other locations of the principal corporate trust offices of the Owner Trustee or the Equipment Trust Trustee) are authorized or required by law, regulation or executive order to be closed.

"Car Contract" has the meaning set forth in Section 7(e) of the Lease.

"Casualty Loss Determination Date" means each of the dates specified as such in Exhibit B to the Lease.

"Certificate" means each 1988 Equipment Trust Certificate issued under the Equipment Trust Agreement.

"Certificate of Acceptance" means a Certificate of Acceptance, substantially in the form of Exhibit A to the Lease, to be entered into between Lessor and Lessee for the purpose of evidencing the lease of an Item of Equipment under and pursuant to the terms of the Lease and to be dated the Delivery Date of such Item of Equipment.

"Certificates relating to" an Item of Equipment means, as of any date, Certificates of each maturity thereof Outstanding on such date having an aggregate principal amount determined by multiplying (a) the Amortization specified for such maturity and for the Class of Equipment of which such Item of Equipment is a part by (b) a fraction, the numerator of which is the Cost of such Item of Equipment and the denominator of which is the Cost of all Items of Equipment included in such Class of Equipment.

"Claims" means any and all costs, liabilities (including strict or absolute liability without fault in tort or otherwise), obligations, losses, damages, penalties, actions or suits or claims which may be imposed on, incurred by, suffered by, or asserted against a Person and shall include all reasonable out-of-pocket costs, disbursements and expenses (including legal fees and expenses) paid or incurred by such Person in connection therewith.

"Class of Equipment" means one of the following classes of Items of Equipment: (a) Auto Racks having a Basic Lease Commencement Date of October 15, 1988 ("Class I"), (b) Auto Racks having a Basic Lease Commencement Date of April 15, 1989 ("Class II"), (c) Locomotives having a Basic Lease Commencement Date of October 15, 1988 ("Class III"), and (d) Locomotives having a Basic Lease Commencement Date of April 15, 1989 ("Class IV").

"Closing Date" means the date of the original issuance and sale of the Certificates.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment", with respect to any Item of Equipment, means (a) 20% of the Cost of such Item of Equipment, in the case of the Owner Participant, and (b) 80% of the Cost of such Item of Equipment, in the case of the Equipment Trust Trustee.

"Company" means Lessee.

"Consents" means, collectively, the Consents and Agreements, dated as of April 1, 1988, executed by each of the Builders.

"Co-Registrar" has the meaning set forth in Section 2.04 of the Equipment Trust Agreement.

"Cost", with respect to a Locomotive, means \$1,174,927, and with respect to an Auto Rack, means \$34,400 in the case of any of the Auto Racks delivered by Trinity Industries, Inc., \$35,500 in the case of any of the 80 Auto Racks scheduled to be delivered by Thrall Car Manufacturing Company in November of 1988, and \$33,351 in the case of any of the other 200 Auto Racks scheduled to be delivered by Thrall Car Manufacturing Company prior to November of 1988.

"Defaulted Interest" has the meaning set forth in Section 2.09 of the Equipment Trust Agreement.

"Delivery Date" for any Item of Equipment means the date on which such Item of Equipment is delivered to the Lessor and leased to Lessee under the Lease, all as evidenced by the execution and delivery of a Certificate of Acceptance.

"Deposited Cash" means the aggregate of (i) cash deposited with the Equipment Trust Trustee as provided by Section 3.01 of the Equipment Trust Agreement and (ii) when required or indicated by the context, any Permitted Investment purchased by the use of such cash pursuant to Section 8.04(b) of the Equipment Trust Agreement.

"Equipment Trust Agreement" means Equipment Trust Agreement #1, dated as of April 1, 1988, between the Owner Trustee and the Equipment Trust Trustee, as the same may be supplemented, amended or modified from time to time pursuant

to the applicable provisions thereof and of the Participation Agreement.

"Equipment Trust Estate" has the meaning set forth in Section 4.03 of the Equipment Trust Agreement.

"Equipment Trust Trustee" means Mercantile-Safe Deposit and Trust Company, not in its individual capacity but solely as trustee under the Equipment Trust Agreement, and each other Person which may from time to time be acting as Equipment Trust Trustee in accordance with the provisions of the Equipment Trust Agreement.

"ETA Default" means any event which is or after notice or passage of time, or both, would be an Event of Acceleration.

"ETA Lease Term" has the meaning set forth in Section 5.02 of the Equipment Trust Agreement.

"ETA Rent" has the meaning set forth in Section 5.03 of the Equipment Trust Agreement.

"Event of Acceleration" has the meaning set forth in Section 7.01 of the Equipment Trust Agreement.

"Event of Default" has the meaning set forth in Section 14 of the Lease.

"Event of Loss", with respect to any Item of Equipment, means any of the following events with respect to such Item of Equipment: such Item of Equipment shall be or become lost, stolen, destroyed or irreparably damaged, or in the opinion of Lessee worn out from any cause whatsoever, permanently returned to the Builder thereof pursuant to any patent indemnity provision of the applicable Purchase Agreement, or taken or requisitioned by condemnation or otherwise by the United States Government or by any other government or governmental entity resulting in loss of possession by Lessee.

"Excepted Property" means (a) all public liability insurance and any proceeds thereof payable as a result of claims paid for the benefit of or losses suffered by the Owner Participant or the Owner Trustee in its individual or trust capacity, (b) proceeds of permitted insurance separately maintained by and for the benefit of the Owner Participant (whether directly or through the Owner Trustee), so long as the separate maintenance of such insurance does

not reduce the coverage or amounts payable under any insurance constituting a part of the Equipment Trust Estate, (c) any indemnity or other amount payable in favor of the Owner Participant or the Owner Trustee in its individual or trust capacity including, without limitation, any payments pursuant to the Tax Indemnity Agreement or Section 13, 15 or 16 of the Participation Agreement, (d) the rights of the Owner Participant or the Owner Trustee in its individual or trust capacity to enforce payment of any of the foregoing amounts, (e) the rights of the Owner Participant or the Owner Trustee in its individual or trust capacity to compromise or waive any such right or to modify, amend or waive any provision conferring any such rights, (f) all proceeds of the foregoing, and (g) any overdue interest paid in respect of amounts described in clause (c) above.

"Excess Amount" and "Excess Amount Date" have the meanings set forth in Section 26 of the Lease.

"Fair market rental value" of an Item of Equipment means an amount determined on the basis of, and shall be equal in amount to, the rental for such Item of Equipment, which would be obtained in an arm's length transaction between an informed and willing lessee and an informed and willing lessor, neither being under any compulsion to lease, as the case may be, which determination shall be made (i) without deduction for any costs of removal of such Item of Equipment from the location of then-current use and (ii) on the assumption that such Item of Equipment is free and clear of all Liens and is in the condition and repair in which it is required to be returned pursuant to Section 5 of the Lease; provided, however, that the determination of fair market rental value for the purposes of Section 15 of the Lease shall be based on the actual condition of such Item of Equipment at the time of such determination, shall take into account all Liens on such Item of Equipment (other than Lessor's Liens), notwithstanding the provisions of clause (ii) of this sentence, and if Lessor, after demand in writing of Lessee, cannot obtain possession of such Item of Equipment pursuant to Section 15 of the Lease, fair market rental value for purposes of Section 15 of the Lease shall be deemed zero.

"Fair market sales value" of an Item of Equipment means an amount determined on the basis of, and shall be equal in amount to, the value which would be obtained in an arm's length transaction between an informed and willing purchaser under no compulsion to buy and an informed and willing seller under no compulsion to sell such Item of Equipment, which determination shall be made (i) without

deduction for any costs of removal of such Item of Equipment from the location of then-current use and (ii) on the assumption that such Item of Equipment is free and clear of all Liens and is in the condition and repair in which it is required to be returned pursuant to Section 5 of the Lease; provided, however, that the determination of fair market sales value for the purpose of Section 15 of the Lease shall be based on the actual condition of such Item of Equipment at the time of such determination, shall take into account all Liens on such Item of Equipment (other than Lessor's Liens), notwithstanding the provisions of clause (ii) of this sentence, and if Lessor, after demand in writing of Lessee, cannot obtain possession of such Item of Equipment pursuant to Section 15 of the Lease, fair market sales value shall be deemed zero.

"Funding Date" for any Item of Equipment means the Business Day on or subsequent to the Delivery Date for such Item of Equipment as specified by Lessee in writing pursuant to Section 2(b) of the Participation Agreement.

"Guaranties" means the guaranty of the Owner Trustee endorsed on each Certificate, contained in the form of Exhibit A to the Equipment Trust Agreement.

"Holder" means a Person in whose name a Certificate is registered on the Register.

"ICC" means the Interstate Commerce Commission and any agency or instrumentality of the United States government succeeding to its functions.

"Indemnified Person" has the meaning set forth in Section 16(a) of the Participation Agreement.

"Independent Appraisal" means an appraisal mutually agreed to by two nationally recognized independent appraisers, one of which appraisers shall be chosen by Lessor and one by Lessee, or, if such appraisers cannot agree on the amount of such appraisal, an appraisal arrived at by a third nationally recognized independent appraiser chosen by the mutual consent of such two appraisers; provided that, if either party shall fail to appoint an appraiser within 15 days after a written request to do so by the other party, or if such two appraisers cannot agree on the amount of such appraisal and fail to appoint a third appraiser within 20 days after the date of the appointment of the second of such appraisers, then either party may apply to the American Arbitration Association to make such appointment. In the

event such third independent appraiser shall be chosen to provide such appraisal, unless the parties agree otherwise, such appraisal shall be required to be made within 20 days of such appointment. Fees and expenses relating to an Independent Appraisal shall be payable as follows:

(i) if the Independent Appraisal is utilized in connection with the exercise of remedies upon the occurrence of an Event of Default under the Lease, all such fees and expenses shall be borne by Lessee;

(ii) if the Independent Appraisal is utilized in connection with the possible exercise of a renewal option or purchase option pursuant to Section 19 or 20 of the Lease, then each party shall bear its respective fees and expenses; provided (A) if an appraisal under the Independent Appraisal shall be conducted by one appraiser only, Lessee shall bear the fees and expenses of such appraiser, or (B) if an appraisal under the Independent Appraisal shall be conducted by more than one appraiser, Lessee shall bear the fees and expenses of the appraiser appointed by Lessee and of the appraiser appointed jointly by the appraiser of Lessee and the appraiser of Lessor; and provided, further, that if after the utilization of such Independent Appraisal Lessee does not exercise any such renewal option or purchase option, then Lessee shall reimburse Lessor for all fees and expenses paid by Lessor in respect of such Independent Appraisal; and

(iii) in all other instances, each party shall bear (A) its respective fees and expenses with respect to any Independent Appraisal and (B) one-half of the fees and expenses of the appraisers participating in any Independent Appraisal.

"Independent Investment Banker" means an independent investment banking institution of national standing appointed by Lessee on behalf of the Owner Trustee; provided, that if the Equipment Trust Trustee shall not have received written notice of such an appointment at least 10 days prior to the applicable Redemption Date or if an Event of Default shall have occurred and be continuing, "Independent Investment Banker" shall mean such an institution appointed by the Equipment Trust Trustee.

"Independent Third Party" has the meaning set forth in Section 3(e) of the Lease.

"Interest Payment Date" means each April 15 and October 15, commencing October 15, 1988, so long as any Certificate remains Outstanding.

"Interim Lease Term", with respect to any Item of Equipment, means the period from the Delivery Date of such Item of Equipment to the Basic Lease Commencement Date of such Item of Equipment.

"Interim Rent", for any Item of Equipment, means the rent payable for such Item of Equipment pursuant to the first sentence of Section 3(b) of the Lease, as the same may be adjusted pursuant to Section 3(e) of the Lease.

"Investment Proceeds" means the net profit, income, interest, dividend or gain actually realized from the making of Permitted Investments of any Deposited Cash.

"Item of Equipment" means each Locomotive and each Auto Rack as to which title thereto is transferred by the Owner Trustee to the Equipment Trust Trustee, and which is leased to Lessee under the Lease (as evidenced by a Certificate of Acceptance), in accordance with Section 3 of the Participation Agreement.

"Lease" means Lease Agreement #1, dated as of April 1, 1988, between Lessor and Lessee, as the same may be amended, modified or supplemented from time to time pursuant to the applicable provisions thereof and in accordance with the Trust Agreement and the Equipment Trust Agreement.

"Lessee" means Consolidated Rail Corporation, a Pennsylvania corporation, and its permitted successors and assigns.

"Lessor" means the Owner Trustee and its permitted successors and assigns.

"Lessor's Lien" means any Lien arising as a result of (a) claims against or affecting Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant, in either case not related to the transactions contemplated by the Lease or the Participation Agreement, or (b) acts or omissions of Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant, in either case not related to the transactions contemplated by the Lease or the Participation Agreement or not permitted under the Lease or the Participation Agreement.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Locomotive" means each of the 30 Dash B-40 diesel electric locomotives manufactured by General Electric Company under the Purchase Agreement dated November 5, 1987 between Lessee and General Electric Company.

"Loss Payment Date" has the meaning set forth in Section 10(a) of the Lease.

"Minimum Number" means (a) with respect to the Locomotives, not less than 10 Locomotives randomly selected by lot by the Equipment Trust Trustee from all Locomotives then leased under the Lease; provided, however, if less than all such Locomotives then leased under the Lease are selected, at least 10 Locomotives shall remain subject to the Lease, and (b) with respect to the Auto Racks, not less than 100 Auto Racks randomly selected by lot by the Equipment Trust Trustee from all Auto Racks then leased under the Lease; provided, however, if less than all such Auto Racks then leased under the Lease are selected, at least 100 Auto Racks shall remain subject to the Lease.

"Net Economic Return" means the Owner Participant's anticipated effective after-tax yield utilizing the multiple investment sinking fund method of analysis and aggregate after-tax cash flow, computed on the basis of the same methodology and assumptions utilized by the Owner Participant in determining the amounts payable as Basic Rent pursuant to the Lease as originally executed.

"Offering Circular" means the final Offering Circular pursuant to which the Certificates are to be offered to the public.

"Officer's Certificate", with respect to any company, means a certificate signed by the Chairman, the Vice Chairman, the President, any Vice President, any Assistant Vice President, the Treasurer or any Assistant Treasurer, the Secretary, or any Assistant Secretary of such company.

"Operative Document" means each of the Lease, any Certificate of Acceptance, the Participation Agreement, the Trust Agreement, the Equipment Trust Agreement, the Purchase Agreements, the Assignment, the Consents, the Certificates, the Tax Indemnity Agreement and the Title Documents.

"Opinion of Counsel" means a written opinion of legal counsel, who in the case of counsel for the Company may be the senior attorney employed by the Company, or other legal counsel designated by the Company and who shall be satisfactory to the Equipment Trust Trustee or, in the case of legal counsel for the Owner Trustee, may be Shipman & Goodwin or other legal counsel designated by the Owner Trustee and satisfactory to the Equipment Trust Trustee.

"Outstanding" when used with respect to Certificates, means, as of the date of determination, all Certificates theretofore authenticated and delivered under the Equipment Trust Agreement, other than:

(a) Certificates theretofore cancelled by the Equipment Trust Trustee or delivered to the Equipment Trust Trustee for cancellation pursuant to Section 2.08 of the Equipment Trust Agreement or otherwise;

(b) Certificates for the payment or redemption of which money in the necessary amount has been theretofore deposited with the Equipment Trust Trustee in trust for the Holders of such Certificates; provided that, if such Certificates are to be redeemed, notice of such redemption has been duly given pursuant to the Equipment Trust Agreement or provision therefor satisfactory to the Equipment Trust Trustee has been made; and

(c) Certificates in exchange for or in lieu of which other Certificates have been authenticated and delivered pursuant to the Equipment Trust Agreement;

provided, however, that in determining whether the holders of the requisite principal amount of Certificates Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Certificates owned by Lessee or any Affiliate of Lessee shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Equipment Trust Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Certificates which the Equipment Trust Trustee knows to be so owned shall be disregarded. Certificates so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Equipment Trust Trustee that the pledgee has the right so to act with respect to such Certificates and that the pledgee is not Lessee or any obligor upon the Certificates or any Affiliate of Lessee or such obligor.

"Overdue Rate" means (a) with respect to any amount which is or will be distributable to the Holders pursuant to the terms of the Equipment Trust Agreement, the rate per annum borne by the Certificates held by such Holders, and (b) with respect to any other amount, the Average Certificate Rate plus 1%.

"Owner Participant" means Orient Leasing USA Corp., a Delaware corporation, and its permitted successors and assigns.

"Owner Trust Estate" means all estate, right, title and interest of the Owner Trustee in and to the Items of Equipment, the Lease, including, without limitation, all amounts of Basic Rent, Supplemental Rent, insurance proceeds (other than any insurance proceeds payable under liability policies to or for the benefit of the Owner Trustee, for its own account or in its individual capacity, the Owner Participant, or the Equipment Trust Trustee) and requisition, indemnity or the payments of any kind for or with respect to the Items of Equipment, including without limitation, any and all payments and proceeds received by the Owner Trustee after the termination of the Lease with respect to any Item of Equipment resulting from the sale, lease or other disposition thereof, subject, however, to the provisions of and the lien created under the Equipment Trust Agreement. Notwithstanding the foregoing, "Owner Trust Estate" shall not include any Excepted Property.

"Owner Trustee" means The Connecticut National Bank, not in its individual capacity but solely as trustee under the Trust Agreement, and each other Person which may from time to time be acting as Owner Trustee in accordance with the provisions of the Trust Agreement.

"Owner Trustee Request" means a request by the Owner Trustee setting forth the subject matter of the request.

"Participation Agreement" means Participation Agreement #1, dated as of April 1, 1988, among Lessee, the Equipment Trust Trustee, the Owner Participant and the Owner Trustee (in its individual capacity as expressly provided therein and as trustee), as such Participation Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof and of the Equipment Trust Agreement.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment

of whatever nature, which may from time to time be incorporated or installed in or attached to an Item of Equipment.

"Paying Agent" has the meaning set forth in Section 2.04 of the Equipment Trust Agreement.

"Permitted Investment" means (a) direct obligations of the United States of America and agencies thereof, (b) obligations fully guaranteed by the United States of America, (c) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the states thereof having combined capital and surplus and retained earnings of at least \$100,000,000 (including Lessor in its individual capacity or the Equipment Trust Trustee in its individual capacity if such conditions are met), (d) commercial paper of any holding company of a bank, trust company or national banking association described in clause (c) above, (e) commercial paper of companies having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized rating organization in the United States of America) equal to either of the two highest ratings assigned by such organization, and (f) repurchase agreements with any financial institutions having combined capital and surplus and retained earnings of at least \$50,000,000 which specify any of the obligations described in clauses (a) through (e) above as collateral acceptable thereunder (including Lessor in its individual capacity and the Equipment Trust Trustee in its individual capacity if such conditions are met); provided that no investment shall be eligible as and included within the definition of the term "Permitted Investment" unless the final maturity or date of return of such investment is equal to or less than one year from the date of purchase thereof.

"Permitted Liens" means Liens referred to in clauses (i) through (vi) of Section 6 of the Lease.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Potential Default" means an event which but for the giving of notice or the lapse of time or both would constitute an Event of Default.

"Premium", with respect to any Certificate to be redeemed pursuant to Section 6.02 of the Equipment Trust Agreement, means an amount which an Independent Investment Banker determines to be equal to the excess, if any, of (a) the present value (computed in accordance with generally accepted financial practices on a semiannual basis at a discount rate equal to the Treasury Yield) of (i) the payments of interest on such Certificates as required by the terms thereof and of the Equipment Trust Agreement, and (ii) the principal payable on such Certificate at the maturity thereof, over (b) the unpaid principal amount of such Certificate.

"Purchase Agreements" means the Purchase Agreement dated November 5, 1987 between Lessee and General Electric Company relating to the Locomotives, the Purchase Agreement dated as of January 13, 1988 between Lessee and Trinity Industries, Inc. relating to 200 Auto Racks and the Purchase Agreement dated as of March 18, 1988 between Lessee and Thrall Car Manufacturing Company relating to 280 Auto Racks.

"Record Date" for the interest payable on any Interest Payment Date, means (a) in the case of an Interest Payment Date which is April 15, the preceding April 1, and (ii) in the case of an Interest Payment Date which is October 15, the preceding October 1.

"Redemption Date" means (a) in the case of a redemption of Certificates pursuant to Section 6.02(A) of the Equipment Trust Agreement, April 15, 1989; (b) in the case of a redemption of Certificates pursuant to Section 6.02(B) of the Equipment Trust Agreement upon an Event of Loss, the Loss Payment Date; (c) in the case of a redemption of Certificates pursuant to Section 6.02(B) of the Equipment Trust Agreement in the event Lessee is required to comply with clause (ii) of Section 7(e) of the Lease, the Section 7(e) Date; (d) in the case of a redemption of Certificates pursuant to Section 6.02(C) of the Equipment Trust Agreement upon termination of the Lease as applicable to any Item of Equipment pursuant to Section 9(a) thereof, the Termination Date; (e) in the case of a redemption of Certificates pursuant to Section 6.02(C) of the Equipment Trust Agreement upon termination of the Lease as applicable to any Item of Equipment pursuant to Section 9(b) thereof, the Special Termination Date; (f) in the case of a redemption of Certificates pursuant to Section 6.02(D) of the Equipment Trust Agreement, any Rent Payment Date on or after October 15, 1999 which Lessee shall specify by not less than 30 days' notice to the Equipment Trust Trustee and the Owner Participant; (g) in the case of a

redemption of Certificates pursuant to Section 6.02(E) of the Equipment Trust Agreement as a result of the Owner Trustee exercising rights pursuant to Section 7.03(e)(ii) of the Equipment Trust Agreement, the 30th day after the Equipment Trust Trustee shall have received from or on behalf of the Owner Trustee the redemption price therefor; and (h) in the case of a redemption of Certificates pursuant to Section 6.02(F) of the Equipment Trust Agreement upon purchase of an Item of Equipment pursuant to clause (i) of the first paragraph of Section 20 of the Lease, the Rent Payment Date on which such purchase occurs.

"Register" has the meaning set forth in Section 2.04 of the Equipment Trust Agreement.

"Registrar" has the meaning set forth in Section 2.04 of the Equipment Trust Agreement.

"Regulations" means the Treasury Regulations, as amended from time to time, promulgated under the Code by the United States Treasury Department.

"Reimbursement Amount" has the meaning set forth in Section 26 of the Lease.

"Renewal Term", with respect to any Item of Equipment, means any period for which the lease of such Item of Equipment is extended pursuant to Section 19(a) or 19(b) of the Lease.

"Rent" means Interim Rent, Basic Rent and Supplemental Rent.

"Rent Payment Date" for any Item of Equipment means any date on which Interim Rent for such Item of Equipment is payable and any Basic Rent Payment Date on which Basic Rent for such Item of Equipment is payable.

"Responsible Officer" means (a) with respect to the Owner Trustee, any officer in the Corporate Trust Administration Department of the Owner Trustee, (b) with respect to the Equipment Trust Trustee, any officer in the Corporate Trust Administration Department of the Equipment Trust Trustee, and (c) with respect to Lessee, the Chief Financial Officer or Treasurer of Lessee or any other corporate officer of Lessee working under the direct supervision of such Chief Financial Officer or Treasurer whose responsibilities include the administration of the

transactions and agreements contemplated by the Participation Agreement.

"Section 7(e) Date" has the meaning set forth in Section 7(e) of the Lease.

"Special Termination Date" has the meaning set forth in Section 9(b)(i) of the Lease.

"Stipulated Loss Value", with respect to any Item of Equipment, means the amount determined by multiplying the Cost of such Item of Equipment by the percentage set forth in Exhibit B to the Lease for the Class of Equipment of which such Item of Equipment is a part opposite the Casualty Loss Determination Date on which Stipulated Loss Value for such Item of Equipment is to be paid; provided that during any Renewal Term applicable to such Item of Equipment, "Stipulated Loss Value" shall be determined as provided in Section 19 of the Lease. Anything contained in the Lease, the Participation Agreement or the Tax Indemnity Agreement to the contrary notwithstanding, Stipulated Loss Value for any Item of Equipment (both before and after any adjustment pursuant to Section 3(e) of the Lease) will, under any circumstances and in any event, be an amount which, together with all other amounts required to be paid by Lessee under the Lease, will be at least sufficient to pay in full the aggregate unpaid principal of the Outstanding Certificates relating to such Item of Equipment and all unpaid interest thereon accrued to the date of payment thereof.

"Supplemental Rent" means all amounts, liabilities and obligations (other than Interim Rent and Basic Rent) which Lessee assumes or agrees to pay under the Lease, the Participation Agreement or the Tax Indemnity Agreement to Lessor or others, including, without limitation, payments of Stipulated Loss Value, Termination Value and amounts calculated with reference thereto and indemnity payments pursuant to Sections 15 and 16 of the Participation Agreement.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement, dated as of April 1, 1988, between Lessee and the Owner Participant, as the same may be modified or supplemented from time to time.

"Taxes" means any and all license, registration and documentation fees and all taxes, assessments, levies, imposts, duties, charges, fees or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon or other additions thereto.

"Temporary Certificates" means Certificates issued to Holders pursuant to Section 2.03 of the Equipment Trust Agreement.

"Term", with respect to any Item of Equipment, means the period comprised by (a) the Interim Lease Term, (b) the Basic Lease Term and (c) if applicable, any Renewal Term of such Item of Equipment.

"Termination Date" has the meaning set forth in Section 9(a)(i) of the Lease.

"Termination Value", with respect to any Item of Equipment, means the sum of (a) the amount determined by multiplying the Cost of such Item of Equipment by the percentage set forth in Exhibit B to the Lease for the Class of Equipment of which such Item of Equipment is a part opposite the Rent Payment Date on which Termination Value is to be paid, plus (b) the amount of Premium, if any, payable on such Rent Payment Date upon the Certificates relating to such Items of Equipment. Anything contained in the Lease, the Participation Agreement or the Tax Indemnity Agreement to the contrary notwithstanding, Termination Value for any Item of Equipment (both before and after any adjustment pursuant to Section 3(e) of the Lease) will, under any circumstances and in any event, be an amount which, together with all other amounts required to be paid by Lessee under the Lease, will be at least sufficient to pay in full the aggregate unpaid principal of the Outstanding Certificates relating to such Item of Equipment, together with the Premium, if any, and all unpaid interest thereon accrued to the date of payment thereof.

"Title Documents", with respect to any Item of Equipment, means the Bill of Sale covering such Item of Equipment and, in the case of Title Documents furnished by any Builder, an opinion of counsel of the Builder in the form customarily furnished by such counsel.

"Trailer Train" has the meaning set forth in Section 7(e) of the Lease.

"Transaction Costs" means the following out-of-pocket costs, fees and expenses incurred by the Owner Participant, the Owner Trustee and the Equipment Trust Trustee in connection with the negotiation, preparation, execution, delivery, filing and recording of the Operative Documents and the transactions contemplated thereby:

(i) the reasonable fees, expenses and disbursements of (A) Mudge Rose Guthrie Alexander & Ferdon, special counsel for the Owner Participant, (B) Ober Kaler Grimes & Shriver, special counsel for the Equipment Trust Trustee, (C) Shipman & Goodwin, special counsel for the Owner Trustee, (D) McCarthy & McCarthy, special Canadian counsel, and (E) Shearman & Sterling, special counsel for the underwriter of the Certificates;

(ii) the cost of filing and recording documents with the ICC and the Registrar General of Canada and filing financing statements;

(iii) the initial fee and expenses of the Equipment Trust Trustee;

(iv) the initial fees and expenses of the Owner Trustee;

(v) the cost of the appraisal of the Items of Equipment performed by B. Royce Green Association;

(vi) the underwriting fees, commission or discounts of the underwriters of the Certificates;

(vii) other expenses of the public offering of Certificates to the extent not paid by such underwriters;

(viii) the fees of D'Accord Financial Services, Inc.; and

(ix) the fees of Bankers Trust Company.

"Treasury Yield", with respect to any Certificate to be redeemed pursuant to Section 6.02 of the Equipment Trust Agreement, means (a) in the case of a Certificate having a maturity within one year after the Redemption Date on which such Certificate is to be redeemed, the average yield to maturity on a government bond equivalent basis of the applicable United States Treasury Bill due the week of the maturity of such Certificate, and (b) in the case of a Certificate having a maturity one year or more after such Redemption Date, the average yield of the most actively traded United States Treasury Note (as reported by Cantor Fitzgerald Securities Corp. on page 5 of Telerate Systems, Inc., a financial news service, or if such report is not available, a source deemed comparable by the Independent Investment Banker) corresponding in maturity to such Certificate (or if there is no corresponding maturity, an interpolation of maturities by such Independent Investment

Banker), in each case determined by such Independent Investment Banker based on the bid price as of 10:00 a.m. and 2:00 p.m., New York time, on the second Business Day preceding such Redemption Date.

"Trust Agreement" means Trust Agreement #1, dated as of April 1, 1988, between the Owner Participant and Lessor in its individual capacity, as such Trust Agreement may from time to time be supplemented, amended or modified in accordance with the terms thereof and of the Equipment Trust Agreement.

"Trustee's Lien" means any Lien arising as a result of (i) claims against or affecting the Equipment Trust Trustee not related to the transactions contemplated by the Lease or the Participation Agreement, or (ii) acts or omissions of the Equipment Trust Trustee not related to the transactions contemplated by the Lease or the Participation Agreement or not permitted under the Lease, the Participation Agreement or the Equipment Trust Agreement.

"U.S. Government Obligations" means securities that are direct obligations of the United States of America for the payment of which its full faith and credit is pledged which are not callable or redeemable, and shall also include a depository receipt issued by a bank or a trust company as custodian with respect to any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt so long as such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.